NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

Congressional Information Service, Inc.
Washington, D.C.

CIS

PRESIDENT'S FEDERALISM INITIATIVE

HEARINGS
BEFORE THE
COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
NINETY-SEVENTH CONGRESS
SECOND SESSION

FEBRUARY 4, AND MARCH 11, 16, 18, 1982

Printed for the use of the Committee on Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE
96-722 O WASHINGTON : 1982

S401-57

COMMITTEE ON GOVERNMENTAL AFFAIRS

WILLIAM V. ROTH, Jr., Delaware, *Chairman*

CHARLES H. PERCY, Illinois
TED STEVENS, Alaska
CHARLES McC. MATHIAS, Jr., Maryland
JOHN C. DANFORTH, Missouri
WILLIAM S. COHEN, Maine
DAVID DURENBERGER, Minnesota
MACK MATTINGLY, Georgia
WARREN B. RUDMAN, New Hampshire

THOMAS F. EAGLETON, Missouri
HENRY M. JACKSON, Washington
LAWTON CHILES, Florida
SAM NUNN, Georgia
JOHN GLENN, Ohio
JIM SASSER, Tennessee
DAVID PRYOR, Arkansas
CARL LEVIN, Michigan

Joan M. McEntee, *Staff Director*
Michael C. Mitchell, *Professional Staff Member*
Ira S. Shapiro, *Minority Staff Director and Chief Counsel*
Terry Jolly, *Chief Clerk*

CONTENTS

Page

Opening statements:
- Senator Roth 1,188,261
- Senator Eagleton 2
- Senator Durenberger 5,187
- Senator Sasser 18
- Senator Glenn 20
- Senator Jackson 21
- Senator Percy 35
- Senator Rudman 53
- Senator Pryor 56
- Senator Mattingly 59
- Senator Levin 197

WITNESSES

THURSDAY, FEBRUARY 4, 1982

David A. Stockman, Director, Office of Management and Budget 21

THURSDAY, MARCH 11, 1982

Helen Boosalis, mayor, Lincoln, Nebr 190

J. Hugh Nichols, chairman, Baltimore Regional Planning Council, accompanied by John Bosley, legal counsel 206

Scott Fosler, county councilman, Montgomery County, Md.; Robert Honts, county commissioner, Travis County, Tex.; and Doris Dealaman, freeholder, Somerset County, N.J 219

Randy Tyree, mayor, Knoxville, Tenn., and president, Tennessee Municipal League 231

TUESDAY, MARCH 16, 1982

Charles A. Bowsher, Comptroller General, General Accounting Office, accompanied by Harry S. Havens, Assistant Comptroller General for Program Evaluation, and Gene L. Dodaro, Supervisory GAO Auditor, General Government Division 262

Alice M. Rivlin, Director, Congressional Budget Office 286

Carl Stenberg, Acting Executive Director, Advisory Commission on Intergovernmental Relations, accompanied by David Walker and John Shannon, Assistant Directors 306

Claude E. Barfield, visiting fellow at the American Enterprise Institute 344

THURSDAY, MARCH 18, 1982

Terry Herndon, executive director, National Education Association, accompanied by Wally Young, president, Delaware State Education Association 377

Andrew H. Mott, vice president, Center for Community Change 404

Jule Sugarman, president and managing director, Human Services Information Center 432

Robert Greenstein, director, Center on Budget and Policy Priorities 460

Alphabetical List of Witnesses

Page
Barfield, Claude E.:
- Testimony 344
- Prepared statement, with attachment 346

Boosalis, Helen:
- Testimony 190
- Responses to written questions submitted by Senator Roth 201
- Responses to written questions submitted by Senator Pryor 204

Bosley, John: Testimony 206
Bowsher, Charles A.:
- Testimony 262
- Prepared statement 277

Dealaman, Doris: Testimony 219
Dodaro, Gene L.: Testimony 262
Fosler, Scott:
- Testimony 219
- Resolution of the National Association of Counties 220

Greenstein, Robert:
- Testimony 460
- Prepared statement 469

Havens, Harry S.: Testimony 262
Herndon, Terry:
- Testimony 377
- Prepared statement 389

Honts, Robert: Testimony 219
Mott, Andrew:
- Testimony 404
- Prepared statement 412
- List of organizations participating in the Coalition on Block Grants and Human Needs 429

Nichols, J. Hugh:
- Testimony 206
- Prepared statement 216

Rivlin, Alice M.:
- Testimony 286
- Prepared statement 294

Shannon, John:
- Testimony 306
- Prepared statement 315

Stenberg, Carl:
- Testimony 306
- Prepared statement 315

Stockman, David A.:
- Testimony 21
- "Revenue Turnback Under Federalism Proposal," (table) 24
- Prepared statement 61
- Responses to written questions from:
  - Senator Mathias 69
  - Senator Levin 71
  - Senator Roth 76

Sugarman, Jule:
- Testimony 432
- Prepared statement with attachment 438

Tyree, Randy:
- Testimony 231
- Prepared statement 253

Walker, David:
- Testimony 306
- Prepared statement 315

Young, Wally:
- Testimony 377
- Prepared statement 401

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Page

Letter from Senator Durenberger to President Reagan, February 4, 1982, with attachments 8

Letter to President Reagan from 32 Senators, November 13, 1981 40

Letter to Senator Sasser from Comptroller General Charles A. Bowsher, March 10, 1982 239

Statements from:

- American Federation of Labor & Congress of Industrial Organizations 481
- American Jewish Congress 490
- Tax Foundation, Inc., Robert C. Brown, executive vice president 501

PRESIDENT'S FEDERALISM INITIATIVE

THURSDAY, FEBRUARY 4, 1982

U. S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The committee met, at 10:07 a.m., in room 3302, Dirksen Senate Office Building, Hon. William V. Roth, Jr. (chairman of the committee) presiding.

Present: Senators Roth, Percy, Danforth, Cohen, Durenberger, Mattingly, Rudman, Eagleton, Jackson, Nunn, Glenn, Sasser, Pryor, and Levin.

OPENING STATEMENT OF SENATOR ROTH

Chairman ROTH. The Committee on Governmental Affairs convenes today to begin its consideration of President Reagan's "New Federalism," a very exciting, bold and creative plan to revitalize our system of government and to reestablish the balance in a federalism which increasingly has been dominated by Washington.

Today we are happy to welcome Dave Stockman, the Director of OMB, to open what I expect to be a constructive and fruitful discussion of the President's proposal.

The President's objective in proposing his plan is a highly laudable one to realine and clarify the responsibilities of the State and Federal Government in order to reduce or eliminate the confusing overlap of programs and authorities that now hampers the effectiveness and responsiveness of government at all levels.

Americans, unfortunately, have good reason to be cynical about their Government. The polls tell us that most of our citizens have little or no confidence in government at any level to solve the Nation's problems. In fact, many seem to believe that the Government actually causes more problems than it solves and the reason for this attitude is simple, no one person or level of government can be held responsible for problems or failures because everyone has become responsible for everything.

The lines of accountability in our federalism go everywhere but end nowhere.

I am pleased to say that there is broad support, and broad bipartisan consensus, for the concept of the New Federalism. For example, Bruce Babbitt, the Governor of Arizona, said that the President's proposal to restructure American Government is both elegant and imaginative, that his program is revolutionary in the best sense of the word.

Lamar Alexander, Governor of Tennessee, said on President Reagan's New Federalism, if it ever hits Main Street, the changes will make more difference to the ability of Americans to control every-day community decisions than anything Congress has done in half a century.

Bernie Hillenbrand, executive director of the National Association of Counties, stated that "The New Federalism will be a stunning victory for the counties," and Ross Doyan, president of the National Council of State Legislators, has said the President's plan is a genuine effort to sort out which level of government can respond to program needs.

At a meeting held a few days ago at the White House, a Democratic Governor said that it was important that we reach a consensus on the New Federalism because if we do not do it, that it was his judgment the American people would demand a constitutional convention.

I am pleased that the President has made his innovative proposal. I think the success will depend on assuring that it is fair, that it is fair to all elements of our society. We must make certain that the poor, the needy, the disadvantaged, and those with disabilities are not forgotten. This is something we will want to discuss with you, Mr. Stockman, in great detail.

It is important that we work out adequate means of revenue for the State and local governments. I can tell you that the people at home don't want new State taxes, property taxes for assumptions of new responsibility. It is my understanding that the President proposes that during this transition period adequate revenues, dollar for dollar, will be made available from the Federal Government to reimburse the States. And a third point on which I think there is going to be considerable discussion, Mr. Stockman, is something that came up at the White House meeting; that is a question of whether or not there should be a third phase, as to whether an 8-year transition period is long enough or do we need some new third phase to insure adequate revenues and that adequate concern will be expressed for all elements of the society.

In closing, I would say that these hearings today are just a beginning of this dialog. The committee will be meeting with the Governors, county administrators, as well as others. We look forward to what you have to say, Dave. I take the President at his word that this whole proposal is negotiable and that we are here to develop a broad consensus as to how to implement what I consider one of the most innovative and imaginative ideas expressed in Washington in a long time.

Senator Eagleton?

OPENING STATEMENT OF SENATOR EAGLETON

Senator EAGLETON. Thank you, Mr. Chairman. Thank you, Chairman Roth. I have a differing view.

In the aftermath of the state of the Union message, many Members of Congress characterized the New Federalism as a smoke screen or a diversion, an effort by the President to simultaneously regain momentum and initiative while distracting the public and the Congress from our economic plight. The reaction, I should note, was not limited to Democrats. The Washington Post of January 28 quoted the following important Republican Senators on New Federalism.

A quote from Senate Budget Committee Chairman Domenici, "It can't take the place of fiscal policy issues."

A quote from Chairman Dole of the Finance Committee, "Every President wants to find something to get out front with, but the economy can't be subordinated and he knows that."

Senate Appropriations Chairman Hatfield,

> Success in achieving this remarkable program will ultimately hinge on an economic rebirth in the coming year. A looming specter of increasing Federal deficits and high interest rates simply cannot be ignored.

I share the priorities expressed by these leading Republican Senators, three men who hold very important positions in the Congress with respect to the formulation of fiscal policy for the United States.

In my view, the Congress should be moving to reconsider the 1981 Reagan tax cut with the same intensity and dispatch which produced that legislation. That legislation has been described, I might add, by former Defense Secretary Schlesinger as "The single most irresponsible fiscal act in history." But questions like who pays for medicaid 5 years from now are less urgent than our immediate economic situation. However, I part company with some of my colleagues who believe that "New Federalism" is unimportant or a matter of peripheral concern.

To me, as I view it, it is nothing less than crucial. It is crucial because it represents the central tenet of Ronald Reagan's philosphy. It is crucial because it follows inexorably from the philosophy of Reaganism which calls for savage cuts in domestic spending, regardless of the consequences to individuals and to society, while advocating at the same time a tax cut which eviscerates the Federal revenue base.

It is crucial because it may well frame the debate about what the role of Government will be in this country for the rest of the 20th century, which will help shape the kind of society that we will have.

There will be many months of study of the details of New Federalism on which the administration remains flexible, but the philosophical issue by now should be clear enough.

President Reagan and his closest supporters are not interested in correcting the excesses of the welfare state, reducing Government budgetary and regulatory activity to realistically reflect our weakened economy or, in sorting through and reassessing the current division of our responsibilities between the various levels of government. Rather, the President and his supporters are committed to a radical change, namely, dismantling the Federal Government to the extent possible by handing major responsibilities, if not revenues, back to the States and eliminating Federal regulation, relying instead on the essentially benign nature of market forces.

At one time or another, President Reagan has denounced virtually everything the Federal Government has done in the last 20 years. His list of horrors includes all aspects of the Federal war on poverty, Federal aid to education, Federal aid to mass transit, Federal environmental protection legislation, including the Clean Air and Clean Water Acts, food stamps, medicaid, on and on.

More than human considerations, more than a desire to solve problems, more even than fiscal considerations, ideology drives the Reagan program of which the New Federalism now becomes a central part.

Simply stated, that ideology can be reduced to one sentence. Everything the Federal Government does is evil, corrupt, incompetent, self-serving or all of the above. The ideology accounts for the indiscriminate and otherwise inexplicable nature of some of the administration's policies. How can an administration, supposedly committed to economic revitalization, advocate deep cuts in Federal support for education, job training, research and development, science, space? How can an administration, supposedly committed to a massive defense buildup, throw away via the tax cut, billions of dollars actually needed to fund it? When one starts with the premise that virtually everything the Federal Government does is evil, the capacity for subtle distinctions vanishes pretty quickly.

My view of the Federal Government's role and the problems we face are substantially different from those of the Reagan administration.

During the early 1960's, we experienced a period of continuous prosperity, economic growth and negligible inflation. The bright promise of a growing economy made Americans willing to face problems that had festered unseen or unattended for years. We began to face up to poverty and hunger and racial discrimination, educational deprivation, environmental degradation.

A common thread ran through these problems. They were going unaddressed, somehow surpassing the boundaries, the capability or the interest of the States or of private enterprise. The Federal Government was the only recourse and the result was some of the landmark legislation of the 1960's.

I am fully aware that passing time and a weakened economy necessitate a reassessment of our legislative commitments. Not everything the Federal Government has done has been perfection personified, nor should we assume that the unresponsiveness that plagued many State governments prior to the 1960's would be the rule now, but we should look at complex problems on their merits, despite the President's oft stated reassurance that there really are no simple answers.

I am not opposed to a serious reassessment of the division of responsibilities between the Federal and State Governments and the relationship between them. I recognize that the proliferation of Federal mandate dictates regulations, strings, triggers, all of that, can be time consuming, bewildering and sometimes counterproductive, but I am opposed to an assessment which starts from the assumption that the Federal Government has no role to play at all beyond providing for the national defense.

Every serious study of which I am aware points to AFDC and food stamps as two programs which should be handled federally. Yet the Reagan proposal would send them off to the States to create a patchwork of care, indifference and neglect, unsuited to coping with the national afflictions of poverty and hunger.

Nobody looking at New Federalism can question the sincerity or the intensity of the President's beliefs. He has been pushing this idea in one form or another for a long, long time. Depth of conviction and steadfastness to his purpose are important for a leader, but seeing the world realistically and offering realistic solutions to real problems count for even more.

While President Reagan and Mr. Stockman pursue their dream of a simpler era where no national government was needed, we lose precious time in finding solutions to the truly formidable national and global problems which face us.

In the short run, the poor and the unemployed will suffer; before too long, we all will.

Chairman ROTH. I would call next on the chairman and ranking member of the Subcommittee on Intergovernmental Relations.

I would like to just briefly mention the rules we will follow this morning during these hearings. I know Mr. Stockman does have other commitments late in the day, so I would hope that other Senators would be willing to put any preliminary remarks into the record so that we could spend our time on questions.

Second, I would want to make it very clear that in inviting Mr. Stockman to appear before this committee, that we made it clear that we were going to talk on federalism, that he will be appearing in the near future before the Budget Committee on budgetary matters so that is not an appropriate area before this committee.

We will follow the early bird rule. I think everybody was here when we started, with one exception. So we will take them in normal order. We are going to limit, very strictly limit the questions to 10 minutes.

At this time I would ask for some brief comments from Senator Durenberger.

OPENING STATEMENT OF SENATOR DURENBERGER

Senator DURENBERGER. Thank you very much, Mr. Chairman.

I am going to be brief.

I heard the ranking member of the full committee talk about the fact he is not opposed to the serious reassessment of the role of the Federal Government. I heard him talk about the fact that we are losing precious time on reassessing national goals and objectives. I want everybody on this committee to know how pleased I am, and most of the people in the room are, that this hearing is being conducted today because over the past year, I chaired 24 hearings on issues related to the New Federalism and the Federal partnership, and there were times when I thought that I was the only one who cared about the subject.

I sense we were losing precious time. I sense that nobody on this committee is opposed to a reassessment of the role of the Federal Government.

At the meeting of the League of Cities in Detroit a couple of months ago, I had breakfast with a group of reporters who write on the subject of federalism. Their articles never appear on the front page. And I asked them how in the world we get the message on federalism out to the public. Well, that problem has been largely resolved by a President who, I believe, has a commitment to change the role of the Federal Government. You cannot argue, and I know, Tom, you haven't, with the President's commitment in that area.

It seems to me that one of the most significant aspects of the President's New Federalism initiative has been his willingness to work with Governors and mayors and legislators and county commissioners and township officers of the entire Nation to shape the details of this plan.

The plan is not cast in concrete. So I hope this morning in our questions we will try to use this hearing as an opportunity to share our personal perspectives rather than toss grenades of one kind or another. I think the skeleton of a program to reshape major domestic programs is in the President's State of the Union message. I think the commitment made by the President is to take major steps that some of us just didn't think were possible to take a year ago.

As a matter of fact, last year at this same time, I launched a little effort of my own to see if it was possible to make a swap that would have the Federal Government take on medicaid and some other income security resonsibilities. That effort ran into stone walls all over Washington at that particular time.

I would also like to say to Mr. Stockman that my sense from 24 hearings like this one on federalism is that the State and local government officials of this Nation are deeply committed to following through on the start the President has made.

The views that were expressed from time to time in our subcommittee hearings were not simply "get the Federal Government off of our back" kinds of complaints. The Governors, the mayors have a real desire to make sense out of Government at whatever level and to make it work to meet the needs of the people of the country. They have put in years of thought, research, and debate on the whole notion of sorting out and swapping and resource returns, some of which are contained in the President's New Federalism proposal.

Some have said, and some will probably say, during the course of today's hearing, that this could be just a mildly interesting diversion to shift the focus from the budget problems of the Federal Government. Well, I would like to know how people who think that way intend to balance the budget without changing the way Government works? We are not going to go about cutting and capping and blocking the way we did last year and end up eliminating the deficit. The only way we do it is to change the way we approach the fundamental questions of Government policy, the role in meeting the needs of our society.

When Government tries to be a little bit to everybody, we squander our resources on programs that make no lasting difference.

I will finish, Mr. Chairman, with a quote from Richard Snelling, current Chairman of the National Governors' Association. If you had a chance, as I did, to watch him on "Meet the Press" on Sunday, in a final comment he made in response to a question about the alternatives, he said the only alternative is the status quo. He said the American people have already spoken on the status quo. The status quo must go. It costs too much and it produces too little.

So now that we have federalism on the front page, I hope the members of this committee will take the cpportunity to follow through on helping the President define that plan.

Thank you, Mr. Chairman.

[Subsequent to the hearing Senator Durenberger submitted the following:]

WILLIAM V. ROTH, JR., DEL., CHAIRMAN
CHARLES H. PERCY, ILL.
TED STEVENS, ALASKA
CHARLES MC C. MATHIAS, JR., MD.
JOHN C. DANFORTH, MO.
WILLIAM S. COHEN, MAINE
DAVID DURENBERGER, MINN.
MACK MATTINGLY, GA.
WARREN B. RUDMAN, N.H.
THOMAS F. EAGLETON, MO.
HENRY M. JACKSON, WASH.
LAWTON CHILES, FLA.
SAM NUNN, GA.
JOHN GLENN, OHIO
JIM SASSER, TENN.
DAVID PRYOR, ARK.
CARL LEVIN, MICH.
JOAN M. MC ENTEE, STAFF DIRECTOR
IRA S. SHAPIRO, MINORITY STAFF DIRECTOR

SUBCOMMITTEE:
DAVE DURENBERGER, MINN., CHAIRMAN
JOHN C. DANFORTH, MO.
MACK MATTINGLY, GA.
JIM SASSER, TENN.
SAM NUNN, GA.

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON
INTERGOVERNMENTAL RELATIONS
(202) 224-4718
WASHINGTON, D.C. 20510

February 4, 1982

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

In response to your request at our meeting last Monday, I am respectfully submitting two documents which outline my views on the New Federalism. The first is a short list of principles that might guide the design of the final package. The second is a detailed proposal that I offer as an amplification of the basic elements that you presented to the nation in your State of the Union Message.

I am sure that I speak for public officials all across the country by expressing my sincere appreciation for the leadership you have provided in making this proposal and for the spirit of open consultation in which the details are being established. I look forward to working for your program when it reaches the Congress and offer any further effort that may be of assistance.

Respectfully,

Dave Durenberger
United States Senate

DD:jpd

enclosures

WILLIAM V. ROTH, JR., DEL., CHAIRMAN
CHARLES H. PERCY, ILL.
TED STEVENS, ALASKA
CHARLES MC C. MATHIAS, JR., MD.
JOHN C. DANFORTH, MO.
WILLIAM S. COHEN, MAINE
DAVID DURENBERGER, MINN.
MACK MATTINGLY, GA.
WARREN B. RUDMAN, N.H.
THOMAS F. EAGLETON, MO.
HENRY M. JACKSON, WASH.
LAWTON CHILES, FLA.
SAM NUNN, GA.
JOHN GLENN, OHIO
JIM SASSER, TENN.
DAVID PRYOR, ARK.
CARL LEVIN, MICH.
JOAN M. MC ENTEE, STAFF DIRECTOR
IRA S. SHAPIRO, MINORITY STAFF DIRECTOR

SUBCOMMITTEE:
DAVE DURENBERGER, MINN., CHAIRMAN
JOHN C. DANFORTH, MO.
MACK MATTINGLY, GA.
JIM SASSER, TENN.
SAM NUNN, GA.

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON
INTERGOVERNMENTAL RELATIONS
(202) 224-4718
WASHINGTON, D.C. 20510

February 2, 1982

Basic Principles for a New Federalism:

1. Federal assistance to state and local governments should be provided through general purpose resource return programs rather than categorical grants.

2. The federal government should guarantee the income security of all Americans which includes economic access to a range of services that provide a minimum standard of living. To the extent that income security programs are administered by state and local governments, the federal government should provide resources adequate to fulfill this responsibility and require a minimum standard of support based on individual need rather than aggregate spending levels.

3. In providing general purpose fiscal assistance to state and local governments, the federal government should seek to equalize the fiscal capacity of places.

4. As a corollary to principles 2 and 3, the federal government should establish a permanent program of general purpose fiscal assistance to state and local governments financed by dedicating a percentage of the federal income tax to the new federalism trust fund.

5. Transition from the current system of categorical grants to general purpose fiscal assistance should assure adequate time and resources for state and local governments to adjust their program and tax systems to the principles of the new federalism.

6. State governments as partners in a new federalism should make a commitment to more tax and program autonomy for local governments.

WILLIAM V. ROTH, JR., DEL., CHAIRMAN
CHARLES H. PERCY, ILL. THOMAS F. EAGLETON, MO.
TED STEVENS, ALASKA HENRY M. JACKSON, WASH.
CHARLES MC C. MATHIAS, JR., MD. LAWTON CHILES, FLA.
JOHN C. DANFORTH, MO. SAM NUNN, GA.
WILLIAM S. COHEN, MAINE JOHN GLENN, OHIO
DAVID DURENBERGER, MINN. JIM SASSER, TENN.
MACK MATTINGLY, GA. DAVID PRYOR, ARK.
WARREN B. RUDMAN, N.H. CARL LEVIN, MICH.
JOAN M. MC ENTEE, STAFF DIRECTOR

SUBCOMMITTEE:
DAVE DURENBERGER, MINN., CHAIRMAN
JOHN C. DANFORTH, MO. JIM SASSER, TENN.
MACK MATTINGLY, GA. SAM NUNN, GA.

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON
INTERGOVERNMENTAL RELATIONS
(202) 224-4718
WASHINGTON, D.C. 20510

February 4, 1982

TWO PROPOSALS FOR A NEW FEDERALISM

By Senator Dave Durenberger

This paper briefly describes the "New Federalism" initiative proposed by the Administration and offers an alternative based on selective changes in specific aspects of that program.

I. The President's New Federalism Initiative

1. THE SWAP. The Administration has proposed a "swap" that would realign responsibiliies in the federal system. Beginning in 1984 the federal government would take full responsibility for the Medicaid program. At the same time state governments would take full responsibility for Aid to Families with Dependent Children (AFDC) and the food stamp program. Food stamps is currently a federal program, while Medicaid and AFDC are shared -- both the federal and state governments pay part of the cost.

   Under current law, states would contribute about $19 billion to the cost of Medicaid in 1984, so they will realize a $19 billion savings, if the federal government assumes full responsibility for Medicaid. On the other hand the federal government would have been spending $16.4 billion on AFDC and food stamps -- costs which the states would assume as a result of the swap. These dollar figures are for 1984 and assume some changes in the programs in 1983 budget legislation.

2. PROGRAM TURNBACKS. Beginning in 1984 the federal government would make participation in some 43 categorical and block grant programs optional and would offer "super" revenue sharing to the states in place of the grants. Planned federal expenditures for these 43 grant programs in 1984, assuming some budget reductions to be made in 1983, are $30.2 billion. The grant programs fall in the areas of transportation, community development, education, social services and general assistance.

The optional structure for the 43 grant programs would be terminated in 1988. From that point forward the programs would be entirely up to the states.

3. THE TRUST FUND. Beginning in 1984, $28 billion would be set aside in a "New Federalism Trust Fund" to finance "super" revenue sharing or at the states' option, continued participation in the grant programs that are scheduled to be phased out. The trust fund would be financed by dedicating $16.7 billion from the windfall profits tax and $11.3 billion from existing federal excise taxes on gasoline, alcohol, tobacco and telephone services. The $28 billion level would be constant for four years, after which the trust fund would be gradually phased out.

4. ALLOCATION OF THE TRUST FUND. For four years beginning in 1984, each state would be allocated a constant dollar amount from the trust fund to assure that no state would have less or more federal assistance than was received prior to enactment of the new federalism program. This hold harmless provision (no winners, no losers) includes an adjustment to reflect the impact of the swap of Medicaid for AFDC and food stamps.

   The first step in allocating trust fund dollars is to determine how much each state would have received from the 43 categorical and block grant turnback programs. The next step is to adjust the turnback amount to reflect the impact of the Medicaid/Welfare swap. Some states will be losers in the swap. They will be taking on more AFDC and food stamp costs than the relief they will realize when the federal government takes Medicaid. Whatever the amount of the "loss," that amount will be added on to the funds allocated to the states in place of the turnback programs. To the extent that a state is a winner in the swap, its turnback allocation will be reduced by the amount of the benefit realized through the swap. Thus, for the first four years there are no winners and losers when the program is viewed as a whole.

5. OPTIONAL GRANTS. The states may take the entire allocation from the trust fund as super revenue sharing with no strings attached. At its option, however, a state might also use the dollars from the trust fund to "buy" continued participation in some or all of the grant programs. For each dollar of grants "purchased" by a state, that state's trust fund allocation would be reduced by a dollar.

6. TRUST FUND PHASE OUT. Beginning in 1988, the trust fund will be phased out. Each year the dollar amount of the trust fund will be reduced by one-quarter or $7 billion. The allocation to each state will also be reduced by one-quarter each year.

7. EXCISE TAX REPEAL. Phase out of the trust fund will be accompanied by gradual repeal of the excise taxes on gasoline, tobacco, alcohol and telephone services. Each year the federal excise taxes in these areas will be reduced by one-quarter. Only two cents of the federal gasoline tax is dedicated to the trust fund and only two cents will be repealed -- one-half cent in each of the four years beginning in 1988.

   This pahse out will not affect the scheduled expiration of the windfall profits tax, although the amounts from WPT collections dedicated to the trust fund will be reduced by one-quarter each year. The windfall profits tax is scheduled to phase out in 1991 or when $227 billion has been raised. This phase out is in current law and will not be changed by the new federalism program.

8. MAINTENANCE OF EFFORT. During the first four years of the new federalism (1984 - 1987), state governments will be required to maintain a level of effort for income security programs. Although the Administration proposal is not specific it appears that the states would be required to spend at least as much on income security as was spent on the AFDC and food stamp programs in 1983. A continuation of the AFDC and food stamp programs as currently desinged will not be required.

9. PASS THROUGH. To the extent that a state decides to discontinue participation in the grant programs on the turnback list and to the extent that grant programs discontinued are currently direct federal-local grants (UMTA, CDBG, UDAG, GRS), the states will be required to pass through the super revenue sharing funds to local governments. The amount passed through for direct federal-local grants will be 100% of the value of that grant, if it had been taken as a grant in 1984.

   To the extent that states opt out of other grant programs (where local governments are not direct recepients) states will be required to share 15% of the super revenue sharing funds with local governments. These funds will be allocated according to the current general revenue sharing formula.

   These pass through requirements only apply to the first four years, Phase One, of the new federalism program.

10. **1983 BUDGET REDUCTIONS.** The dollar amounts on which the new federalism program is based are dollar amounts for 1984 and assume substantial reductions in funding levels for the underlying grants as a part of the budget process in 1983. If the Congress should fail to adopt some or all of the budget proposals, the dollar calculations in the new federalism initiative will be adjusted upward to reflect larger swaps and resource returns beginning in 1984.

II. Alternative Proposals for a New Federalism

1. 1983 BUDGET REDUCTIONS. Officials from state and local governments are understandably reluctant to endorse the Administration initiative, if budget reductions in 1983 have a significant negative impact on their capacity to take over these responsibilities. They might reasonably ask that the swap and turnback proposals hold them harmless at current funding levels (1982 authorizations), rather than at funding levels subsequent to the 1983 budget decisions.

   In the Durenberger alternative, this issue would be resolved by creating a special revenue sharing fund -- quite apart from the new federalism initiative -- to phase in the 1983 budget cuts. Assuming that Congress does agree to some cuts from 1982 spending levels, an amount equal to 70% of the cuts would be put into the special fund and distributed to the states as revenue sharing. Consider a categorical grant program that was funded at the $200 million level in 1982. If in 1983 Congress decides to cut the funding to $100 million, then $70 million would go into the special fund and would be distributed to the states as revenue sharing.

   In 1984 the dollar amount of the special fund would be reduced to 50% of the 1983 cuts. It would be further reduced to 30% of the cuts in 1985 and to 10% in 1986. In 1987 there would be no special compensation for the cuts proposed and enacted.

   Acceptance of this alternative does not obligate state and local officials to support any or all of the cuts that the Administration will propose for 1983.

2. THE SWAP. Although Senator Durenberger shares the view that income security is a federal responsibility, there are some conditions under which the proposed swap of Medicaid for food stamps and AFDC would be acceptable. These conditions include a permanent commitment by the federal government to share resources from the individual income tax with states in an amount sufficient to meet any income security responsibilities returned and an

assurance that the income needs of all Americans will be met through a combination of state and federal programs. The alternative outlined here assumes that the swap proposed by the Administration is enacted as a basic foundation.

3. PROGRAM TURNBACKS. This alternative also accepts the proposal to return responsibility for a large number of categorical and block grants to the states. Although there might be some variation in the final list, it would be substantially the same as that outlined in the January 27 memorandum on the New Federalism Initiative issued by the White House.

4. THE TRUST FUND. The Durenberger alternative also uses a trust fund to finance the new federalism initiative. It would be of the approximate size as that proposed by the Administration. However, it would be financed by a combination of revenues from the federal individual income tax and the existing excise taxes, rather than the windfall profits tax as proposed in the President's plan. The contribution from the excise taxes would be precisely the same, $11.3 billion. The $16.7 billion to be contributed by the windfall profits tax in the Administration plan would, in 1984, be replaced by $16.7 billion from the individual income tax.

   The Durenberger plan replaces WPT dollars with income tax dollars for two reasons. First, the new federalism is based on a reallocation of responsibilities that leaves a substantial income security role with state governments. Although it might be appropriate to administer needs tested income security programs at the state level, all income security programs should be financed from federal taxes. State taxation systems are not sufficiently "progressive" to carry substantial income security burdens.

   Second, phase out of the windfall profits tax creates no "tax room" for the states that do not have oil production. In fact, at the end of the Administration's eight year program, states are short $17 billion as a result of the swap and turnback.

   The Durenberger plan is based on a permanent trust fund, one that would not phase out after all of the swaps and turnbacks are in place. In 1984, $16.7 billion from individual income tax collections will be dedicated to the trust fund. That is approximately 6% of the revenue that is expected to be raised through the income tax in 1984. Every year from 1984 onward the federal government would contribute 6% (whatever the dollar amount) of its individual income tax collections to the trust fund. As income tax revenues grow, the amount going into the trust fund would also grow. The income tax portion of the trust fund would become a permanent feature of the federal system.

5. ALLOCATION OF THE TRUST FUND. In 1984 the entire trust fund would be allocated to the states on a hold harmless basis (no winners, no losers) according to the same methodology as that used in the Administration's proposal. That portion of the trust fund financed by the excise taxes would continue to be allocated on a hold harmless basis, until the excise taxes are repealed. However, the allocation of that portion of the trust fund which is financed by the income tax would be changed beginning in 1985. The distribution of these funds would be moved gradually toward an allocation designed to equalize the fiscal capacity of the states. Under the Durenberger plan and as described above, the portion of the trust fund financed by the income tax is permanent. After five years all of the dollars in this permanent trust fund would be allocated by a formula that reflects the varying fiscal capacity of the states.

   The change from "hold harmless" to "fiscal capacity" allocations would be gradual. Specifically, in 1985 80% of the income tax trust fund would be allocated by the hold harmless methodology and 20% by the fiscal capacity formula. In 1986 the percentages would be 60% hold harmless and 40% fiscal capacity. (1987: 40% hold harmless - 60% fiscal capacity; 1988: 20% hold harmless and 80% fiscal capacity). In 1989 and for every year thereafter, dollars flowing into the trust fund from the dedicated percentage of the income tax collections would be allocated to the states according to a formula that is designed to equalize fiscal capacity.

6. A FISCAL CAPACITY FORMULA. Fiscal capacity varies greatly across the fifty states. One informed estimate indicates that Alaska has three times more tax raising capacity than Mississippi. And the disparities in fiscal capacity appear to be increasing each year.

   What is fiscal capacity? Suppose that every state in the Union had precisely the same tax system - the same income tax, the same property tax, the same sales and excise taxes. Under these conditions, some states would raise more dollars per person -- many more dollars -- than other states. This occurs because some states have a larger tax base -- taxable wealth -- than others. Incomes are higher. Property is used more intensively. Mineral wealth creates the opportunity for severance tax revenues. So even if all states had the same tax system, some states would collect much more revenue per capita than others.

   Large disparities in tax capacity create wasteful tensions in a federal system. Economic relocation, driven by the individual desire to avoid high taxes in low capacity states, contributes to an inefficient allocation of social resources. Disparities of this type cause disinvestment in built up places and boomtown demand for new infrastructure in unsettled low tax regions.

The Advisory Commission on Intergovernmental Relations has studied tax capacity periodically over the past twenty years. They begin their research by designing an average state tax system. This is a composite of all the tax codes for the fifty states. The next step is to apply this tax system to the taxable wealth of each of the fifty states to determine how much revenue each state could raise, if it imposed the average national tax. Dividing these revenues by the population in each of the states produces the per capita tax capcity for each state.

The Durenberger alternative proposes to allocate that portion of the trust fund financed by the income tax so as to equalize fiscal capacity. Complete equalization is beyond the reach of federal resources. However, some movement in that direction can and should be accomplished in the allocation of the new federalism trust fund.

7. REPEAL OF THE EXCISE TAXES. Although the Durenberger alternative would establish a permanent trust fund for fiscal equalization, that portion of the intial trust fund financed by the excise taxes would be phased out. Under the Administration proposal, one-quarter of the trust fund is phased out each year beginning in 1988. In each of the next four years, each of the excise taxes (gasoline, alcohol, tobacco, telephone services) imposed by the federal government is reduced by one-quarter. This seems an overly-complicated and cumbersome approach. In the alternative, one of the four taxes might be entirely repealed each year. The following schedule is suggested: 1988, repeal two cents of the gasoline tax; 1989, repeal the tobacco tax; 1990, repeal the alcohol tax; 1991, repeal the excise tax on telephone services. In each of these years the dollar value of the trust fund would be decreased to reflect repeal of a tax.

8. MAINTENANCE OF EFFORT. Under the Administration's proposal responsibility for AFDC and food stamps would be returned to the states. This promises to be the most controversial aspect of the new federalism initiative. Governors, state legislators and ACIR advocate that all income security responsibilities should be transferred to the federal government.

The Durenberger alternative would achieve federal financial responsibility for income security by permanently returning a percentage of the federal individual income tax collections to the states. In 1984 the additional dollars that states would be required to spend to continue the AFDC and food stamp programs are almost precisely the same as the dollars from income tax collections that would be returned to the states under the Durenberger plan. Since a permanent percentage rather than a dollar amount is dedicated under this alternative, resources going to the states will increase each year.

However, this does not resolve the basic objection made by many that the Administration proposal allows the states to ignore the basic needs of the very poor. Resolving this issue requires a shift of focus from the aggregate spending levels contained in the Administration's maintenance of effort provision to the actual economic access of individuals and households to a minimum standard of living.

Under the Durenberger alternative, the federal government would define an income level that would assure a minimum standard of living. This amount would be variable according to family size and area of residence. States would be expected, through programs they design, to assure that all citizens had access to earnings or assistance income (whether cash or in kind) sufficient to meet the federally defined minimum standard.

The structure of the new income security programs would be left entirely up to the states. However, there would also be a federal guarantee for individuals, if for some reason the state was unable to provide adequate support. If for any two consecutive years, more than three percent of the population in a state did not attain the federally defined subsistence income, in the following year that state would lose its allocation from the federalism trust fund. If more than three percent of the population remained below the federal subsistence level for three consecutive years, a federal cash assistance program would be operated in that state. A state's share of the trust fund would only be restored, once lost, if the state could meet the three percent test for two consecutive years.

9. Pass Through. During the initial four years of the new federalism program, pass through provisions in the Durenberger plan would be precisely the same as those contained in the Administration's proposal.

   However, since this alternative creates a permanent trust fund, a permanent pass through provision would also be included. The following methodology would be used to determine the pass through amount. In 1988 when the excise taxes begin to phase out, pass through amounts calculated in dollars would be 10% less than the dollar amount of the pass through in 1987, the last year of Phase One. In each succeeding year the pass through requirement would be reduced by another ten percent of the 1987 dollar amount.

It is perhaps too early in the era of a new federalism to determine the future relationship between the federal government and the nation's cities. The new federalism is necessarily a two part process. In part one, the federal government is attempting to reshape its relationship to the states. We do this with the expectation that a new federalism cannot be entirely successful until the states, acting through their legislatures, create a new partnership with local government. Beyond the pass through provisions outlined above, the final structure of the new federalism awaits the response of the states to this challenge. The form of part two in the process will be determined by the willingness of the states to make local government an equal partner in the federal system.

Chairman ROTH. Senator Sasser?

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. Thank you, Mr. Chairman.

First, let me commend you, Mr. Chairman, and Senator Eagleton, for holding these hearings today.

Frankly, I believe the American people want to know more about New Federalism and I believe that with a sensible transfer program that we can return a number of Federal programs to the State and local level.

At the same time, I believe that the American people know that the so-called New Federalism is not going to work if we do not first tackle our current economic problems. And they are namely, high unemployment, crushing interest rates and Federal budget deficits that look like they are going out of control.

We really do appear to have now a Federal budget that is hemorrhaging.

Now, if we don't have a strong national economy, if we don't attempt to reduce the budget deficit by sensible fiscal policies, we are going to have higher and higher interst rates, a deeper and deeper recession, and a very remote chance of economic recovery.

The American people, I believe, are interested in supporting the general rethinking of our federalism policies. I am the ranking member on the Intergovernmental Relations Subcommittee and along with Senator Durenberger have been interested in this subject for many years. But the American people will not look very kindly on a National Government that talks about New Federalism at a time when it is not putting its people back to work, is not bringing interest rates down to stimulate business investment, and is not preserving the basic programs that the President has included in the much flaunted safety net.

Unless we get steady and sure policies that put the economy back on an even keel, the American people are going to regard the New Federalism as a diversionary attempt to take our attention away from rebuilding a strong economy.

Let me go on to say that I doubt the American public will accept a New Federalism that is not fair to all the States and the cities of our country, rich and poor, and they are not going to accept a New Federalism that is based on the premise that we can easily cut Federal taxes because State and local governments can fully absorb the cost of Federal aid programs by raising State and local taxes, income taxes, and property taxes. And already their preliminary indications are that that is what the New Federalism may do.

It may well pit rich States against poor States. It may permit energy-rich States to export their tax burdens to energy-consuming States and may result in massive State and local tax increases for governments that can ill afford to raise additional taxes to support the Federal programs where they are now asked to absorb the cost. I do not believe that Members of the Senate are going to endorse a New Federalism that seems to pit richer States against poorer States and where the rich States get richer and the poor States get poorer.

Based on my understanding of the New Federalism, just let me point to some of the problems we see coming in my State of Tennessee.

The chairman quoted my Governor a moment ago. Let's take the swap of medicaid and welfare services between Federal and State governments. According to the figures supplied to me by the Congressional Research Service, I find that the State government in Tennessee will be expected to finance some $420 million in aid for dependent children and food stamp services. Now while we are financing that, we will give up $96 million in medicaid responsibilities. Well, that is a net loss to my State government of $324 million for a State whose budget is just marginally in balance and has an unemployment rate 17 percent above the national average, that has a per capita income that is 43d in the country.

Well, we are told to look at how it is going to come out in the long run. We are told to look at the big picture and consider that portion of the New Federalism program that turns back programs and responsibilities to State and local governments along with the revenue sources to finance these programs. Here, again, my State comes up short.

Looking at the 124 Federal aid programs that Tennessee receives funds for, I find that we probably receive somewhere in the neighborhood of $650 million for these programs. But when the New Federalism trust fund phases out in 1991, we will only be able to raise some $200 million in revenues from the excise taxes that we will inherit on gasoline, liquor, and tobacco.

About 40 percent of the trust fund money comes from the windfall profit tax revenues, but we cannot raise revenues from the windfall profit tax on oil in Tennessee because we don't produce oil there. So, once again, we come up short to the tune of about $400 to $450 million.

So after the New Federalism is fully in effect, State and local governments in my State that has a budget of $4 billion, will have a combined revenue shortfall of some $700 million.

I doubt whether all the people in my State or States like Mississippi, Senator Pryor's Arkansas, are going to be able to vote with their feet and move to the richer States. They did that in great numbers back in the 1930's, 1940's, and even the 1950's, and they went to Illinois and they settled in Chicago. They went to Detroit to find jobs in the auto factories.

In the 1930's, they went to New York and they went to Michigan to the point that the welfare systems broke down in those States as they left the poor States looking for a better life.

I believe in shifting programs back to the local level and back to the State governments, but I believe first, Mr. Chairman, we are going to have to build a strong national economy. And, second, we are going to have to have a program that is fair to all the States, especially my State of Tennessee, especially other Southern States that have a low per capita income.

Thank you.

Chairman Roth. I want to point out that time is disappearing and I have requested, I hesitate to do that, but I have requested that others forego the preliminary remarks.

Senator Glenn?

OPENING STATEMENT OF SENATOR GLENN

Senator Glenn. I will keep mine short. I am grateful for you holding this hearing today and inviting Mr. Stockman to appear. The New Federalism, as it is called, is certainly an important subject. I can well understand why the administration wishes to focus national attention upon it. Because the New Federalism will not take effect before 1984 at the earliest, it obviously cannot be expected to solve the very serious economic problems which confronts our Nation today.

One year ago Mr. Stockman appeared before numerous committees talking about the President's plan for a new economic beginning. I won't go into all the details of that, but the numbers he presented to us at that time, computer printouts, all seemed to support what those who supported the new economics were telling us.

Unfortunately, we later discovered our confidence had been misplaced. We discover the numbers on those computer printouts actually did not add up at all except after they had been altered to say what needed to be said to prove the case that was being presented to us. So they were altered figures. In short, we had found out we had been willfully mislead.

Chairman Roth started out this morning talking about the people of this country being cynical about their Government. I agree with that. Trust is the most important single element in government.

Mr. Stockman, we trusted you last year and the public trusted you and we were deceived—deliberately deceived. I don't know whether your trip to the woodshed has led you into giving us straight figures this year, unaltered figures, but we believed you last year and this Congress went along with all the figures that you gave us and we voted the programs in. One of the results of that breach of faith is the 1982 budget deficit of nearly $100 billion, interest rates over 16 percent, more business bankruptcies than any year since 1933 and 5½ million Americans unemployed.

The figures this year we are getting from the Congressional Budget Office, which is an apolitical group, indicate that unless something changes, we will have a $109 billion deficit this year, $153 billion next year and a $164 billion deficit in 1984, the year we were supposed to have a balanced budget. This year OMB and Treasury have presented figures that say the comparable deficits will be $90 billion, $80 billion, and $70 billion. Something is amiss here. And I don't know what it is.

Mr. Chairman, the State of Ohio now suffers from a jobless rate of 12½ percent, the second highest rate in the nation, second only to Michigan at 15.1 percent; 650,000 Ohioans are out of work, more than any year since 1940, and I am very much interested in discussing the administration's proposals for reorganizing the functions of government.

I am sure there are some functions that can best be performed at the local level and should be sent back. But I certainly think there is a prior question of how we end this recession that we are in now and put all these people back to work. And I don't want to see our attention diverted from that by endless discussions of New Federalism, much as I think we should get into it and talk about it at the right time.

I do have a number of questions regarding the New Federalism. I look forward to hearing Mr. Stockman's answers. I have grave doubts about where this plan would ultimately lead us. Returning power and authority to people is one thing, but abdicating vital Federal responsibility is another. I hope this year, Mr. Stockman, we can have the straight figures, undoctored, unaltered which we did not get last year and which were the basis for all the tax programs and the budget cutting we did last year.

Thank you, Mr. Chairman.

Chairman ROTH. Dave, I think the time has come for us to hear from you.

Senator EAGLETON. May I ask if any of my colleagues——

Senator JACKSON. Thirty seconds. I have been on this committee 30 years, Mr. Chairman. One second a year.

Chairman ROTH. One second a year. That is a reasonable request.

OPENING STATEMENT OF SENATOR JACKSON

Senator JACKSON. Mr. Chairman, I think we are all in agreement on the need for a better Federal-State working relationship. No one disputes that. I think a lot of these programs should be administered at the local level. I think the fundamental question is timing here and whether or not the States can really cope with the problems they now face. My State faces $1 billion deficit—$1 billion deficit. We have over 11 percent unemployed, and I must say, to go out and explain to people about Federalism as they are unemployed and as they are going broke, raises a modest question of timing. I submit to you this is not the kind of climate in which to have an honest, forthright, nonpolitical dialog in this area.

I want to see true federalism, but clearly the overriding priority are two things: Interest rates and unemployment. And when you go out and start talking, to people about New Federalism, Mr. Stockman, they ask how do you eat it? My Governor, who was elected in 1980 is Republican. As you know, the legislature is Republican. Both have some real serious questions about it.

Chairman ROTH. Mr. Stockman, please proceed.

TESTIMONY OF DAVID A. STOCKMAN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. STOCKMAN. Thank you very much, Mr. Chairman.

I welcome the opportunity to meet with your committee because, in my judgment, your committee, because of its history and its intense interest in this matter is probably the ideal forum for beginning a dialog on the President's landmark proposal with the Congress.

I am not sure this morning that that would be the case with the budget, but on the matter of federalism, I think this is the place where the whole dialog ought to start.

The federalism plan reaches beyond the narrow questions of grant-in-aid reform that are important and that have been dealt with this committee in the past and to the fundamental structure of our entire federalism.

Since your committee is charged with responsibility for advising the Senate on these broader matters, you are particularly knowledgeable about the size of the forest in this federalism as well as the shape of the trees. In all, I believe it is highly appropriate that we begin here today the cooperative consultation that the President seeks with the Congress as a necessary element of his plan to sort out the relative responsibilities of the Federal, State, and local governments which comprise together the American system of government.

As members of this committee are fully aware, the need to properly sort out Federal and State responsibilities has become increasingly clear to public officials, the political scientists, intergovernmental bodies and, most importantly, the American public in recent years. Salient features of President Reagan's federalism initiative is that it is the first specific and comprehensive plan to deal with the issue that has ever been put on the table with the support of a national administration.

General revenue sharing of the early 1970's, despite the great hopes for it that we had, left the problem of the growing complexity and unworkability of the Federal grant-in-aid system essentially untouched. Block grants that we adopted during the 1970's and many of them last year mark a great improvement, but obviously they have severe limits. This plan goes to the root of the problem. If it is adopted within 10 years we may have in place an intergovernmental system that finally works, that finally makes sense, that finally provides for the need of our society at less cost to the taxpayers.

The committee is fully aware the plan has two separate components, but I want to stress this morning that they must be adopted together in order to preserve the overall balance of the fiscal exchange and particularly to insure that there are not net losses or gains to any State as a result of the medicaid-public assistance swap as was pointed out by Senator Sasser this morning.

The first component is the straightforward swap starting in fiscal year 1984 of responsibilities for the Nation's three major means tested programs for our low-income population. The Federal Government would assume full financial responsibility, 100 percent for the fastest growing of these three programs. In real terms, after inflation is stripped away, medicaid will grow at a 6-percent rate between 1978 and 1982. By contrast with the reforms that we put in place last year, food stamps and AFDC will not be growing at all after discounting inflation.

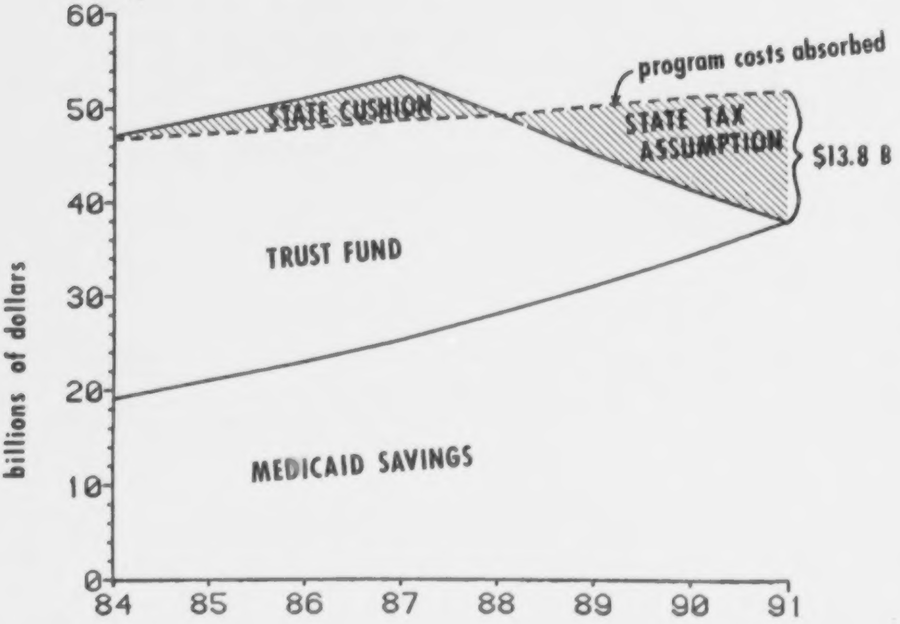
The States, for their part in the swap, would assume full responsibility, as I have indicated, for AFDC and food stamps, the slower growing programs in our basic income maintenance system. AFDC, which grew rapidly in the late 1960's and early 1970's, has essentially leveled off in case loads and expenditures and growth rate. Food stamps had its explosive growth period somewhat later in the mid to late 1970's, but there is good reason to believe that the food stamp beneficiary population is now stabilizing and that is growth of the program, as we move toward the startup year of fiscal year 1984, will be much slower from now on.

We estimate that this first component of the program, the swap, will mean a net financial gain to the States collectively in 1984 of a little over $2 billion and that that net financial gain, fiscal improvement because taxes will be released for other purposes, will rise to $8 billion to fiscal year 1987, the end of phase I, and to nearly $18 billion a year by fiscal year 1991 when the trust fund expires.

This figure is derived from estimated State medicaid costs under current law as it exists today based on estimates submitted from the States with the widely differing benefit structures that we find in the States, together with a projection of Federal AFDC and food stamp costs which the States will assume adjusted for further reforms that we will be proposing in the new budget next week.

Let me emphasize that if, as the actual transfer occurs, the balance of cost is different for the Federal Government or for any individual States, that we are now assuming in this swap because, for example, Congress has not enacted all the reforms we propose for food stamps or AFDC, an adjustment can and will readily be made through the other component of the program, the trust fund. I will say more about that in a moment, Mr. Chairman, and submit a table for the record which indicates that no matter what the estimates of the cost of AFDC and food stamps are versus the cost of medicaid, the trust fund can be adjusted so that the whole system equalizes and so that each State comes out with no net loss.

[The table referred to follows:]



REVENUE TURNBACK UNDER FEDERALISM PROPOSAL

Mr. Stockman. A final point on the swap. While the States collectively are net gainers, the balance differs markedly as among individual States, as has been pointed out here this morning. Broadly speaking, those States with the most liberal and comprehensive medicaid programs gain the most on the swap. Those with more modest medicaid and AFDC programs but with a large food stamp program in cost, generally the Southern States would have insufficient medicaid savings to finance the public assistance benefits from this source alone.

As I have indicated, these individual differences will be evened out through the trust fund allocation formula for the program as a whole and for States individually, each will come out even.

The other component of the plan comprises the new trust fund and the gradual turnback to the States of some 40 categorical programs. Starting in 1984, the Federal Government would set aside receipts from the excise taxes and a portion of the windfall profits tax totaling $28 billion for a trust fund that would in practice belong to the States. For the years 1984 to 1987, what we have called phase I, the States can use their trust fund allocations which they would fully and totally control in either one of two ways. If they want to continue to participate in the designated Federal categorical programs, in transportation, education, social services, community development because the States determine they are not yet ready to take on those responsibilities, they will continue to receive their normal share of these programs and will use trust fund money to reimburse the Federal agency concerned.

Alternatively, if they choose under their own constitutional procedures, voted in the State legislature and approval by the Governor, to opt out of one or more Federal programs, then that portion of the trust fund will be theirs for any lawful purpose to what amounts to a super revenue sharing or unrestricted fiscal transfer.

After 1987, the plan envisions that 40-odd Federal programs would cease to exist. The trust fund, which by then goes to the States entirely in the form of super revenue sharing would continue for another 4 years but be phased out 25 percent each year so that by 1991, the trust fund would expire. This would occur as the Federal excise taxes are also reduced by 25 percent each year and the oil tax terminates on its own schedule. This timetable gives the States nearly 10 years to adopt their own spending priorities to establish their own administrative structures, to make their own determinations as to how these programs will be financed and which will be continued, changed, or altered.

Also, as we envision the plan, during the phase I period, there will be a mandatory full passthrough to local governments when States opt out of programs such as mass transit and community development block grants where the funds now go directly from Washington to cities and towns. There will also be a 15-percent passthrough, piggybacked on the existing general revenue sharing formula and allocation among local units within a State for other programs opted out of except for education, which is a special case since it is generally not financed by local units of government that have allocation under the general revenue sharing formula.

The determination of each State's share of the trust fund starts with its share of the underlying turnback programs, the 40 programs in the base period. We are using the period fiscal year 1979 to 1981 because that represents a period of stability before many of those changes and reductions were instituted last year and this year. This year then is adjusted up or down to offset that State's gain or loss from the medicaid-public assistance swap. Thus, for some States, the trust fund allocation will be greater than their share of turnback programs and for others it will be less, but between the two components together, the net will be zero.

In short, Mr. Chairman, the trust fund is the great equalizer, the balancer, the reconciler in the system, both for the state as a whole and for each State individualy. The formula can be adjusted to ensure that no gain or loss from the program will occur to any State. Of course, other formulas are possible though a major principle that we think is very important and must be observed is that there should be no winners or losers, at least over the early period of this program as a result of this realinement.

I would also point out this morning that the total trust fund which we have set at $28 billion could, within reasonable limits, be adjusted up or down to accommodate more or fewer turnback programs dependent on the final design and the fund or each State's share of it can be adjusted if the costs and gains from the swap turn out to be different from what we have initially estimated, for example, if Congress does not enact all of the AFDC or food stamp reforms that we will propose next week.

This flexibility should demonstrate to the committee, Mr. Chairman, and to the Governors and mayors that we mean what we say when we offer to negotiate the fully embodied design and details and programmatic features of this overall plan or framework for bringing about the long overdue alinement of our Federal system. The framework plan permits precisely this kind of accommodation. However, the framework itself should not be changed in any fundamental way. It provides the only method that we can currently envision for achieving the basic sorting out of Federal and State responsibilities that we will seek without imposing intolerable fiscal burdens on either the Federal or the State side.

Mr. Chairman, let me turn just for a few moments before taking questions to a fundamental consideration of why this program is needed at this time. I think one of the best statements of the need for such a major reordering and realinement of responsibilities I have found is in the remarks of the distinguished chairman of this committee. Mr. Chairman, as you remarked a while back, "We no longer have the luxury of doing business as usual for our Federal system is experiencing serious pressures which have been allowed to build for too long."

You went on to sum up what I think is the essential problem in a one paragraph description of the way things have evolved over the last 40 years. You said:

> In the period since the Great Depression and particularly the last 20 years, we have seen massive changes in the nature of American Federalism. During this time, we have moved from a dual Federalism where State and Federal Government responsibilities were generally well defined and separate to a stage of cooperative Federalism where some functions were shared, to our contemporary system which I choose to call fragmented Federalism.

That is our essential problem. That is the best description that I have heard. That is the underlying rationale for why this $100 billion system needs to be sorted out in a fundamental way.

Mr. Chairman, I would like to make a couple of other comments this morning in terms of one of the critiques or criticisms that has been made in the initial response to this program. It concerns the alleged lack of capacity or lack of ability on the part of the States to assume these major responsibilities contemplated. But I would point out that the redirection of national authority and power proposed in the President's plan would have perhaps been unthinkable had not the States individually and collectively established a remarkable record of fair, representative, efficient and responsive government over the last decade.

As the Advisory Commisson on Intergovernmental Relations has concluded, a largely unnoticed revolution has occurred in State government. The States have been transformed to a remarkable degree. The decades of the sixties and seventies witnessed changes in State government unparalleled since the postreconstruction period a century ago generally in the direction advocated by reformers for more than 50 years.

The evidence of increasing State ability to assume responsibility under the federalism initiative is impressive and undeniable and much of it has been developed in the hearings of this committee and of Senator Durenberger's subcommittee over the recent past.

Twenty years ago, all but five State legislatures were badly malapportioned. Now every State has apportioned its legislature on the basis of one person, one vote. During the same period, the participation of racial and ethnic minorities in the electoral process has dramatically increased. Between 1960 and 1980, black voter registration, to take one example, in 11 Southern States rose from less than 30 percent to nearly 60 percent. Moreover, while a quarter of a century ago, many States were governed or ruled by one political party without effective opposition, today one-party States are a phenomenon of the past.

Since 1968, not a single party has held a monopoly on the senatorial and gubernatorial positions in any State. Concern has been expressed about the willingness and ability of the States to take care of disadvantaged Americans as part of this realinement process. On this point, we should recognize that there are cliches and there are realities and one reality is that the same electorate which chooses Senators and Congressmen also elects Governors, mayors, and legislators. There is no reason to believe that in the year 1982 the American people have two minds, two hearts, and two agendas regarding the responsibility of government to meet the genuine social needs of the American people.

Mr. Chairman, I would also point out on another issue raised, financial ability of the States to provide fairly for the needs of the disadvantaged is also much stronger now than it was 20 years ago.

State revenue sources have been significantly more diversified and resilient; 36 States now have corporate and personal income tax as well as a general sales tax compared to only 19 in 1960. Past regional differences in wealth have narrowed dramatically over the last two decades.

As an example, every State in the Southeast has experienced growth in per capita income since 1970 at rates substantially exceeding the national average, therefore, the regional differentials in tax capacity and wealth have narrowed considerably.

I believe that many objections to the federalism iniative do not relate to the unarguable reality of present State leadership and confidence. Much opposition comes understandably from those who have invested their political and career capital in Washington relationships, from persons and groups who have spent years getting to know key congressional staff aids, who alone are aware of the ins and outs of important Federal bureaucracies, who have access to national media.

In short, much of the opposition to the President's initiative may come from those who have furrowed deep ruts which channel and determine decisions in this company town.

Of course, those ruts have become our national rut. Return of decisionmaking to States and localities will not deprive interested parties of democratic access or the capacity to influence political outcomes.

Rather, it will cause programs to be judged not by slogans that play well in Washington or persons with long vested interests in outcomes but by those people in the best positions to judge their real value.

Mr. Chairman, despite the evidence that States and locals are inherently capable of operating these programs and despite the commitment the President has made to the States that we will provide the revenues necessary to finance them, concern remains about how the States will discharge their responsibility to design and administer the cash welfare programs which are part of the swap.

In particular, the critics have noted existing variations among States and the level of cash welfare payments calling into question the essential comparison of many of our State governments and their willingness to maintain adequate cash assistance programs in the absence of prescriptive Federal mandates.

Mr. Chairman, the assertion that certain States have little interest in social welfare programs simply fails to hold water. Consider the question of own source State tax effort, taxes levied in the State on the citizens of that State and the willingness of States to commit these resources to social welfare spending.

When per capita income disparities are set aside among the States, many of the Southern States which often bear the brunt of this sort of criticism can be seen to be willing to raise and spend significant resources for just such programs.

As long ago as 1977, for example, the State of Illinois, a typical Frost Belt State, spent 9.6 percent of State per capita income for education, public welfare, and health programs.

During the same year, the State of Alabama spent more, 11.2 percent, a 17-percent greater tax effort on these same categories of expenditure.

Despite this sort of evidence, critics of permitting State flexibility to design human resources programs point to wide disparities in cash welfare payments among the States. Mississippi, for example, has a cash assistance standard for a family of four that reaches only 23 percent of State per capita income while Massachusetts provides benefits for a similar family of four equal to 55 percent of State per capita income.

But when the value of food stamps is factored in, much of the gap disappears. Combined AFDC and food stamp benefits in Mississippi comprise 67 percent of State per capita income compared to an only slighly higher ratio, 77 percent in Massachusetts.

In effect, the food stamp program has levelized or washed out the traditional disparities in cash assistance for the dependent population. Under the President's proposal, this relatively level base of AFDC and food stamps combined is the starting point, and I stress this, the starting point for State acquisition of the program.

As the President indicated in his state of the Union message, reasonable safeguards will be provided to insure that families with no other sources of income will not have their benefits reduced below those levels which exist today between the food stamp and the AFDC program.

There can be no reasonable grounds for the conclusion that what gap remains will widen over time. On the contrary, the continued trends toward strong economic growth in the Nation's historically lower income States holds out the promise that over the transition period of more than 10 years that the President has outlined, the gap will narrow even further from what exists today under the status quo.

I would like to suggest, Mr. Chairman, that the real antipathy to decentralization of decisionmaking in our Nation's welfare system lies in the fact that the President's proposal will put an end to any hope once and for all, at least within this century to the grand redistributionist's dream of a guaranteed national annual income.

By ending Washington's explicit hand on the levers of income leveling, the President has in effect proposed that the Federal Government hereinafter abstain from imposing a universal income redistribution scheme on the American people.

I am convinced, Mr. Chairman, that the vast majority of the American people are supportive of this stance. I am equally convinced that a determined minority will continue to use any argument, no matter how invalid, no matter how specious, no matter how irresponsible to frustrate the achievement of this goal.

In conclusion, Mr. Chairman, let me restate for our commitment and strong desire to appear before your committee again to discuss key aspects of the President's plan in more detail as the framework the President has proposed is filled in and strengthened.

The President's federalism plan provides a historic opportunity for the administration and the Congress to work together with governments at all levels to shape the groundwork for the evolution of our Federal system for many decades, perhaps even a century to come.

The case for expeditious forward movement is strong. Yet a change of this magnitude obviously demands and must receive due deliberation and careful analysis as we move forward together.

I hope that the members of this committee and your colleagues throughout the Congress will feel free to maintain close contact with the administration as we take each careful step along the way.

As a beginning of that dialog, I would welcome any questions the members might have on the President's federalism initiative.

Chairman ROTH. Thank you, Mr. Stockman.

Again, I would like to make clear what the rules will be. We are going to adhere strictly to the first round of 10 minutes. I don't know whether we will have sufficient time to go around a second time or not. We will take every one in the normal order, except those of you who arrived after 10 o'clock, following what we call the early-bird rule.

Mr. Stockman, some questions were raised about timing, and I think it is important that it be understood that really the plan does not go into effect until 1984. That is the year that the swap and the turnback begins to take effect.

So for a change, as I understand the President's proposal and what I think is one of its strengths, is that we begin to plan now for the future rather than wait until we have a crisis situation.

I would also just point out that in our discussions at the White House that was attended by a bipartisan group, I think there was a general agreement that time was of the essence.

As Governor Busbee of Georgia said, if we are not able to reach a consensus ourselves, if Congress is not able to act, then we face the prospect of a constitutional convention.

But I think the success of the President's proposal depends upon us answering two questions: One, is it fair? And, two, are there going to be adequate revenues for the State in the future?

And I would like to direct my questions, if I might, in those directions.

I think there is some genuine concern as to whether or not, and you partially addressed it, but I would like to hear you again, on how do we answer those who are concerned that the poor and the needy will be forgotten?

What steps can we take to make certain that doesn't happen?

Mr. STOCKMAN. Mr. Chairman, as we have indicated and I think your question is directed to the cash assistance program, the AFDC and food stamps that will be run by the States, we believe it will be necessary and desirable to have the maintenance of benefits requirement for some period of time, a transition period, that would be decided upon as we thought it through and as this plan was given its final details.

During that period, there could be no reduction in the combined level of AFDC and food stamps being received today by those households as the States took over.

In fact, that could be made a condition of eligibility for the trust fund moneys which will be a strong attraction to the States.

So it seems to me providing that kind of assurance that there will not be any abrupt change, that certain dependent household that we have a Federal-State system to support today, will continue to be supported in the future is something that we can work out if everyone agrees in principle to a maintenance of benefits requirement.

Chairman ROTH. In our White House discussions, there was some discussion that perhaps 1991 was not a long enough period of maintenance of effort.

Is the administration open to negotiation to discussions of a phase III or some extention beyond that, or do you see that as a possible third option?

Mr. STOCKMAN. Mr. Chairman, I am not sure what you mean by phase III, but obviously in some sense, 10 years is an arbitrary period. But it is based on the notion that this is not the garden variety of programmatic change.

This is fundamental, institutional change and realinement, and it should not be done precipitously. It should not be done without a very carefully staged evolution to permit all adjustments to be made. So if it would require more than 10 years, I don't think there is any magic in that number, but I do think there has to be an end goal. If we simply are going to create a new process that will go on forever of pretending we are realining the system but we really have no terminal point in mind, then I don't think that would be desirable either. But it might be more years, it might be less. That is one of the details, that is one of the mechanics that would have to be worked out in the consultation process that we have suggested.

Chairman ROTH. In the return of programs to the State, the first phase where you can opt out, as I understand, the States would then get a super revenue sharing but they would not necessarily have to use those funds for the same general purpose that the program may opt out.

For example, if it was education, they could be used for anything.

Let me ask you: Why don't we require during that 4-year period that the State continues to use those funds for the same general purpose?

In other words, if it is an education program they opt out, if it is health, whatever it may be, it be kept in that general area.

Mr. STOCKMAN. I think that is in the design already. If the education community in the State you imagine felt they would not receive an adequate share of the funding, they simply could insist that the State not opt out of that program until the end of the program.

So you have both routes. By staying in the program you restrict the money for the existing Federal categorical purpose.

If there is a consensus within the State as embodied in the decision of the State legislature and approved by the Governor after consultation with parties affected and they opt out, it really represents a decision perhaps to shift funds or perhaps simply to run their own vocational education program or their own education personnel training program with their own program design and perhaps at a lower cost.

I think you have built in already the kind of protections that you suggest.

Chairman ROTH. I would like to turn a moment to the problem of revenue because that is a matter of concern to the people back home. While I find a great deal of enthusiasm for the approach, nobody wants property taxes, for example, increased to take over these programs. Part of your so-called trust fund comes from the windfall profits tax. In the case of Delaware, we don't have much oil or gas. So there comes the end of this period, what do we do?

Does Delaware tax chickens or does New Hampshire tax maple syrup?

This is, I think, a very tough problem that we are going to have to grapple with. I know you are going to turn back excise taxes, but are there other alternatives or options being thought about to take care of this problem at this time?

Mr. STOCKMAN. Mr. Chairman, I think alternatives could be looked at, but I would like to underscore the point that our projections, and I think projections of most people who have looked at this, suggest that the cost of medicaid over the next decade will grow at such rapid rates relative to the cash assistance responsibilities being taken on that there will be a growing surplus on the swap that in effect frees up the tax basis or tax sources that the State has today, whether it is sales tax, income tax, whatever.

Specifically by 1991, the last year that you speak of, the States would be gaining $18 billion on the swap. We only put $17 billion into the trust fund from the oil windfall tax. So between the $18 billion gain on the swap and a turn back of $12 billion or $13 billion worth of excise tax bases, that the Federal Government wouldn't tax again, you would have equal or greater revenues than are contemplated in the trust fund.

Chairman ROTH. Another concern of many people is, does this favor the rich States versus the poor? In other words, what can we do to protect against the competition of a wealthy State, such as Texas and a distressed State such as Michigan?

How do we make certain that the poor States which at a particular time might have high unemployment can meet that need?

Mr. STOCKMAN. Mr. Chairman, I would suggest it is designed to be neutral. At least that is our conception, at the moment as between rich States or poor States, more rapidly, less rapidly growing States.

I think we have to be very careful about that issue of what to do during a 6-month recession or what to do about a 10- or 12-year period when one State has revenues from severance taxes and another State is undergoing change in its industrial structure because this is designed to be a permanent realinement of the system and if your objective spans a horizon of decades, then it must be designed not entirely or predominantely on the basis of short-term circumstances.

And, so, therefore, we made it neutral because the differentials of today are totally different than they were 20 years ago. Twenty years ago, we created grant-in-aids to take money out of the Frost Belt and put it in the Sun Belt because that is where the lower income levels were, that is where the lower tax capacities were.

Today, we have a great struggle in the Congress. Twenty years later, to reverse all of those formulas and to reverse what is called the adverse flow of funds.

So it seems to me we cannot build that kind of thing into this program easily but it is something we must be attentive to, sensitive to.

For the interim, at least during phase I to get this process started, I think our best bet would be to create a balance between costs absorbed for turnback programs and public assistance and revenues available to finance them State by State from the trust fund and from the savings on medicaid.

For the longer run, we might want to look at something different, but to get the process started, it seems to me neutrality on costs and revenues has to be an essential principle.

Chairman ROTH. I congratulate the administration for seizing the initiative. I think it is a bold, innovative step. I think it is about time the Government begins to plan for the future on a long-term basis rather than react to crises whenever they are upon us.

I don't think any of us think it is a substitute for being concerned with the economy. What we think is that we had better get some policies in place that can avoid the mistakes of the past.

I congratulate the administration and the fact they are now in the process of consultation and negotiation with all levels of government.

At this time, I would call on Senator Eagleton.

Senator EAGLETON. Thank you, Mr. Chairman.

Mr. Stockman, back in October 1975, you wrote an article for the Washington Post entitled "Redistribution of Wealth." That article was a very strong and well worded criticism of what you call the "arbitrary, inequitable and socially explosive consequences of the current hodgepodge system," so far as welfare payments were concerned.

You pointed out in that article the inequity of the welfare mother living in Indiana—I am quoting from the article—"Which has no public housing or other subsidized shelter but does have a lethargic welfare agency and a dearth of grantsmanship orientation" and that "that welfare recipient in Indiana would receive $2,800 annually."

You note that if that same welfare mother were to live in Michigan across the line she would get $4,800. And you concluded in that article as follows: "In combination, these considerations suggest not only the need for an explicit national income distribution policy, but also a fact that a single cash transfer program which can be integrated with the Federal income tax is the most promising vehicle."

So your views in 1975 as expressed in that article, were views of equity, fairness, evenhandedness, the accident of geography should not be the determining factor.

We, of course, just heard your views today.

How do you square what you wrote in 1975 with what you are testifying to today?

Mr. STOCKMAN. Senator, I would suggest one's view of things changes as evidence and facts present themselves and as conditions change.

I think almost everyone who is interested in the question of welfare reform, and you were involved, as I remember, during that early period in the seventies, FAP, the follow-on plans, so forth, and the Carter plans thought there was some national solution to the problem.

I would suggest a decade later after trying every conceivable approach that that entire assumption has been called into question and is now simply wrong and that having pursued that route for 15 years and failed, it is time for us to look in a different direction to solve it.

I would also point out, my thoughts and the thoughts of a lot of others at that time, were partially in reaction to the explosive growth of AFDC that occurred from about 1968 to 1974. And, of course, that was the problem of the hour at the moment, for States in terms of fiscal impact, for Congress in terms of a problem to be solved.

As a result of not adopting any of these national schemes, whether FAP or Carter programs or others, but making incremental changes to the system, we have a totally different reality today.

AFDC is not widely considered to be a program out of control or a problem. What happened in the interim, despite no one's explicit intention, another committee of this Congress created the food stamp program, successfully liberalized it one amendment at a time over an 8- or 9-year period and we ended in 1981 with a totally different reality regarding cash and near cash welfare support than we had back in 1973 and 1974.

And as a result of that, I think you now no longer have the precise differentials that I was talking about and others did in that era that we have homogenized the cash assistance system in this country through the extent of a food stamp program that grew without an explicit policy, and if we turn them back to the States with a hold-in-place requirement, we have a generally equitable and even relative to cost-of-living income levels from State to State system that the States can run from 1984 forward. So things have changed rather substantially.

Senator EAGLETON. As I hear your testimony, the thing that has changed the situation quite substantially is the food stamp program. That is the biggest change that you cited thus far in terms of governmental activity between 1975 and now, although the food stamp program was on the books prior to 1975, as you well know.

Mr. STOCKMAN. That is correct.

Senator EAGLETON. Yet it is the food stamp program that you cite as the great equalizer, the thing that brings equity, somehow, out of this hodgepodge.

Today, Texas, a very, very rich State, pays an AFDC recipient $140; California, $563; Oregon, $569.

The thing, however, that makes that all equal in your mind is the fact we now have the Federal food stamp program that makes up for those gross disparities.

Is that your position?

Mr. STOCKMAN. That is a description of the way the system works today. It doesn't make it dollar-for-dollar equal, but it has evened out the enormous disparities people thought about in the past.

Senator EAGLETON. I submit that it hasn't evened out the situation in Texas vis-a-vis California, but in any event, if it is the food stamp program that is the great equalizer; if that is the thing that has at least given some semblance of equity as to whether one is in Mississippi or Texas vis-a-vis Califormia or Oregon, isn't your proposal to turn the great equalizer back to the States? And you are of two minds on that.

In one part of your testimony, you say:

> The States, if they choose under their own constitutional procedures to opt out of one or more Federal programs, then that portion of their trust fund will be theirs to use for lawful purposes through what amounts to super revenue sharing.

It is that statement and one made earlier that has caused many Governors to applaud your program. I have seen them on McNeal-Lehrer and other interview shows and they are delighted with a pot of money to become super revenue sharing to do with which they think best with that money.

Then, later on, in your testimony, you say, well, fear not, the States won't drop these programs. We are either going to have a maintenance of effort for a period of time undefined or some minimal requirement.

And, then, the Governors applaud you somewhat less. I saw Governor Snelling of Vermont to that effect on one of the interview shows. You cannot have it both ways. You cannot say on the one hand we are going to turn it back to you, do what you think best and then on the other hand say, well, we are going to have maintenance of effort.

Which is it? Are the States going to be free to do that which they think best or are we going to have rigorous Federal rules mandating nationwide minimal benefits?

Mr. STOCKMAN. Senator, I think a clarification is needed. The opt out provision does not apply to AFDC or food stamps. That only applies to the categorical education, transportation, community development manpower programs, and so forth, that would be financed from the trust fund.

In the case of AFDC and food stamps, which is an integral part of the swap, those would have to be run by the States as cash assistants programs to dependent households with some maintenance of benefit or hold in place requirement for whatever period of years the consensus determined is desirable in light of certain concerns or apprehensions about what States will do.

So they have the flexibility all the way across the board on $30 billion worth of bridge building, $30 billion worth of sewer building, $30 billion worth of vocational education but not in the case, in the unique case of the swap programs where you have households who are day-to-day dependent on cash assistance.

Senator EAGLETON. Dealing specifically with the great equalizer now, food stamps, would the States be mandated to give a CPI increase annually in their food stamp allocations similar to Federal law at this time?

Mr. STOCKMAN. I think that would be one of the details you would want to work out as you define what is a hold in place or maintenance of benefits requirement.

It seems to me that food stamps evolved such in the last 3 years that it is no longer really an in-kind benefit program but it is a cash-assistance program with a second currency that we would want to permit the States to combine or cash out food stamps into their basic cash benefit; but, in terms of how we would measure their discharge of their maintenance of benefits requirement and whether you would have cost-of-living included seems to me that is one thing to be worked out as we develop the details.

Senator EAGLETON. But after a period of time—and as yet we haven't decided what that maintenance of effort period of time would be—whether it is 2 years, 4 years, 8 years, but after a period of time, a State would be on its own to decide what it wanted to do with the food stamp program. I submit to you that the track record is such that in States like Mississippi and Texas and my own State of Missouri, when you leave the food stamp program to the tender loving care of a now rural and suburban dominated legislature, that the food stamp program will atrophy just as other social welfare programs atrophy at the State level. This great equalizer you talk about will evaporate and the gross disparities that exist between these States we already mentioned will reoccur and the beneficiaries, current beneficiaries of those programs will be the ultimate losers.

Chairman ROTH. Senator Percy was here at 10 o'clock, so he is next in the regular order.

Senator PERCY. Thank you, very much, indeed, Mr. Chairman.

I ask that my opening statement be incorporated in the record.

Chairman ROTH. Without objection.

[The opening statement of Senator Percy follows:]

OPENING STATEMENT OF SENATOR CHARLES H. PERCY

In his State of the Union address on January 26, the President launched a new and bold initiative to return responsibility for more than 40 federal programs to state and local governments over the next decade with the first major impact coming in fiscal year 1984.

The federal government has the responsibility for making grants on a national basis for greatly diversified needs that reads like the nation's shopping list: repairing roads and bridges; providing for waste water treatment; funding urban development, education, vocational rehabilitation, and CETA; providing low income home energy assistance; and providing social, health and nutrition services. These, and many others, are all services and improvements to the quality of life from which every American has a right to benefit.

The question the President is addressing with his new federalism initiative is "Who, by principle, should assume responsibility for these needs of our citizens?"

Clearly, with this proposal, he believes he has found the right balance, and it is one that merits our closest attention.

The President's new federalism initiative should be viewed as just that—a proposal which can serve as a basis for wide-ranging discussion. I intend to start a dialogue on this topic with the people of Illinois and with their representatives on the state and local level. When the legislation is submitted to Congress, I plan to study it for its impact on the State of Illinois and will be in close consultation with state and local officials.

I have a number of strong concerns about this proposal if it is to be enacted. First, I must be able to assure the people of Illinois that the established essential government functions transferred to the states, will be continued and will not be cut back. Second, given the economic realities of the 1980's, we must ensure that this proposal is sound fiscally and that the states will have the financial and administrative capabilities to support these new programs without severely restricting other on-going programs. Finally, we must take into consideration the impact this plan will have on the poor and underprivileged of this nation.

In 1981, all elected officials received a mandate to balance the federal budget and to reduce the nation's deficit. The new federalism initiative involves the transfer of billions of dollars between federal and state governments. We need to go back to our states again, now more than ever, to listen and to learn about the needs and fears of our constituents. We need to be questioning closely state officials about the proposal's impact on state budgets and operations. And, we need to listen to their responses—very closely.

Senator PERCY. I consider the proposal of the President, Mr. Stockman, so important, so widesweeping, but I do look on it as a proposal. The President is putting out an initiative, an idea, and he is asking for responses and reactions to it.

I consider this proposal so important that I talked to the Governor of Illinois about cosponsoring with me a conference of all Illinois State legislators, elected State officials, and leaders throughout the State in the majority party to see what our reaction should be.

We are going to have a 2½ day conference in Springfield concentrating on this subject to get a grassroots feeling of how it will affect our State and what impact it will have.

Because general questions may have been asked when I could not be here, I would like to ask one specific question of importance to my own State. Illinois does pay a larger proportion of medicaid benefits to its residents than many States. Assuming standard payment fees will be established by the Federal Government when it assumes responsibility for the medicaid program, this amount may very well be lower than that which Illinois residents currently receive.

How does the administration propose to handle these discrepancies and what assurances could I, at this conference, for instance, give the officials in the State that the transfer of medicaid responsibilities to the Federal Government would not result in a lowering of the health benefits of our constituents?

Mr. STOCKMAN. Senator, I would like to suggest that is one of the details that will have to be ironed out as we work this through. We do not have a set notion as to how you restructure a Federal medicaid entitlement system so as not to undermine benefits that are needed today in some States or increase excessively benefits in others.

It won't be easy to do, but I would point out three things:

One, a good portion of the medicaid caseload and cost is the elderly who are SSI eligible or who are medicare beneficiaries who exhaust their coverage and become eligible for medicaid.

We would think that the new Federal system would piggyback on to those eligibilities or tie to those eligibilities just as the State medicaid does today.

In the second major group within medicaid is the categorically eligible AFDC household. We would think again that the federalized medicaid structure would build on or bridge to the cash assistance program that the State of Illinois would put in place once that responsibility was taken over in 1984.

The one difficult area will be on those who are not covered either by the dependent household program or the Federal medicare SSI program. That is a small part of the caseload and it will require some very careful thinking and development, but I believe we can get a standard that will be satisfactory to most States involved and that will be fair to most beneficiaries involved.

Senator PERCY. I am aiming toward a conference in May. Will we have these details by May so that we can actually discuss them and send responses back to the President and yourself and other agencies on the specific details of the program?

Mr. STOCKMAN. That will be correct, Senator. It is our hope at the present time after maybe 30 or 40 days of intensive consultation both with the Congress and the State and local sector that we will have enough detailed policy specifications that we could begin writing the actual statutory draft that would be submitted to Congress.

Of course, that is one of the fundamental issues, the medicaid federalization, that would have to be resolved before then. But there are a lot of different routes at the present time.

Senator PERCY. Various Governors have reacted in different ways to the proposal. I was pleased Governor Thompson saw fit to commend the proposal in principle.

When Congress enacted the sweeping social programs that we have today, the programs were really designed, without any question, to be run by the Federal Government essentially.

It was believed the States did not have the resources and in some cases did not have the interest really in pursuing these specialized-type programs.

What responses have you had back now from the 50 States that leads you to believe enouqh States do have sufficient interest in taking back some of these programs and are not overly concerned about the resources available?

Mr. STOCKMAN. Senator, I guess there are a lot of answers possible there. But I think the best one is the precise notion of the sorting out of a turnback of program responsibilities did not originate in Washington, did not originate with the Federal Government. It is an idea that the President has had for a long time that he developed as Governor of California, and it is a notion that has been pushed very heavily in recent years by the National Governors Association and many others who would assume these responsibilities under what we have proposed.

So if I think there is any test needed, that is it, they originated the idea and not the Federal Government.

Senator PERCY. Senator Baker initiated, and I worked with him in our first year together in the Senate 15 years ago, on the concept of revenue sharing.

We really fought hard for its enactment into law. We dispensed some $40 billion without a breath of scandal really that I know of.

What priority do you place, Mr. Stockman, on Federal revenue sharing, because there is a concern now by municipal, township, and State officials that somehow they may lose these funds which are the least tightly controlled, with less paperwork and less bureaucracy from the Federal Government, than any program we ever initiated and from their standpoint, a highly successful one.

Mr. STOCKMAN. Senator, I guess the answer there is this proposal really has its inspiration, its origin in general revenue sharing. That is why we have used the term "super revenue sharing."

In a sense, if the States chose, the $28 billion trust fund could be entirely operated as a general revenue sharing program if they were willing to opt out of categorical programs and take on these responsibilities themselves.

Second, the general revenue sharing program would be funded out of the trust fund through 1987. And I think that would give strong assurance for the next 5-year period, and we extend it every 5 years or so that general revenue sharing would remain intact as it exists in functions today to localities.

Senator PERCY. A final question to express another concern that I have heard not only in my own State but quite universally.

I am in agreement with the administration that we must find some way to stem the mushrooming level of transfer payments. I am concerned, however, that this reorganization of social programs might turn out to be just another pretext for budget cutting like the game of musical chairs, where the band plays the tune of New Federalism while the chair is taken away from social programs.

I think we must limit the transfer payments but we should fully and carefully evaluate each reduction for its impact on particularly the poor of this Nation.

What assurance do we have that the States will continue to support these vital social programs at the State level as the Federal Government would if their administration was retained at the national level?

Mr. STOCKMAN. Senator, I think building on the discussion we had previously, you would have to divide these into two categories. In the case of cash assistance, which is the most sensitive because you have literally millions of households who are dependent for day-to-day necessities on those programs, there would be a maintenance of benefits requirement for a considerable period of time.

For the other programs, and if you look at the list of them very carefully, those 40 programs, you are dealing with matters like vocational education or like highway construction or mass transit and others, it seems to me there is powerful interest in having those continue on the part of the State agencies that administer them, on the part of the vendors that serve them, on the part of the localities and constituencies that benefit, on the part of the State legislators who are involved one way or another.

I don't think there is any danger that most of those categorical programs will be precipitously dropped.

Senator PERCY. Thank you, very much, indeed.

I am happy to yield back my remaining half minute.

Chairman ROTH. Senator Glenn?

Senator GLENN. Thank you, very much, Mr. Chairman.

Mr. Stockman, in my opening statement I raised the question which I am sure you are aware of your credibility on Capitol Hill.

Do you wish to respond to that?

Mr. STOCKMAN. Senator Glenn, I think our purpose today here is to discuss federalism. I don't believe anyone can discuss his own credibility, enhance it or subtract from it in any way.

I think it is a matter of performance and I think it is a matter of setting the record straight.

You did say some things in your opening remarks that I take issue with. Unfortunately, and I know you are well intended, they are based on a total misunderstanding. Not being a member of the Budget Committee, I suppose that you would not be aware that there is no central budget computer at OMB that I could rig or tinker with or alter or change in any way, that the budget of the U.S. Government, the estimates are prepared agency by agency by thousands of people all around this government and would take a bureaucratic Houdini to do anything about it.

They are then submitted to OMB and they are added up on a bid adding machine and that is all there is to it. No such computer exists. Mr. Greider misunderstood or didn't comprehend when we were talking about that particular part of it.

Now, the one thing that is important is the economic forecast and the economic forecast we put out and published and we defended and I came up here, was lambasted from every corner because we were too optimistic on interest rates and we thought inflation could come down or we were too optimistic on real growth.

That is simply a judgnent that everybody in this process makes. It is open to the public, and if you don't like the economic assumptions on which the budget is based, you can go to CBO and get a different set. So the notion that somehow, anybody has been misled, anybody has been deceived, anything has been rigged, is absolutely and utterly without foundation and I understand how you could come to that conclusion from reading a short passage in the article that was not understood by its author, but I hope because you have brought it up today and I have had a chance to provide this background that you will realize it is not something you would want to talk about in the future.

Senator PERCY. Senator Glenn, would you yield for a unanimous-consent request?

Senator GLENN. All right.

Senator PERCY. I was not aware that criticism had been leveled against Mr. Stockman. I ask unanimous consent, Mr. Chairman, to have added to the record, at this point, the letter that 32 Senators signed and sent to the President asking that David Stockman be retained despite his predicament at the time. I am more certain than ever that his services are necessary.

We have to challenge the things we have done in the past and I think that letter will speak for many of our colleagues, including myself.

Thank you.

[The letter referred to follows:]

U.S. SENATE,
Washington, D.C., November 13, 1981.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: We wish to commend your decision to retain David Stockman as director of the Office of Management and Budget. The statements attributed to Mr. Stockman are regrettable—we disagree with much of what was said. Implementation of the Reagan economic program remains one of our highest priorities. Yesterday, David Stockman reaffirmed his belief in, and commitment to, the Reagan economic program.

The events of the past few days are unfortunate, but it is time to get back to the business at hand. The American people sent us here to get federal spending under control, and to get the economy moving again. In his role as OMB director, David Stockman was crucial to the passage of phase one of the Reagan program. We need him as part of the team as we work on phase two, and we fully suppport your decision to keep David Stockman as a member of your economic team.

Sincerely,

Bob Kasten, Slade Gorton, Bill Armstrong, Dan Quayle, Steve Symms, Nancy Landon Kassebaum, Chuck Grassley, Orrin Hatch, Rudy Boschwitz, Paula Hawkins, Richard Lugar, Alfonse D'Amato, James Abdnor, Malcolm Wallop, Frank Murkowski, Jake Garn, Jack Danforth, John Heinz, Ted Stevens, Mack Mattingly, Bob Dole, Roger Jepsen, Jim McClure, Don Nickles, Jesse Helms, Jeremiah Denton, Gordon Humphrey, Harrison Schmitt, Charles Percy, John H. Chafee, David Durenberger, and Bill Roth.

Senator GLENN. If the computer runs were not changed then, I would say the assumptions that were made that have led us into some of the economic problems we have were so fallacious that I now would have to question whether we are making the same kinds of erroneous assumptions with regard to the New Federalism.

Are we being overoptimistic, as far overly optimistic as we were in the assumptions we made last year of lower inflation, lower unemployment, 4½ percent growth rate for the country?

All of these were assumptions that were completely off base. Are we correcting our assumptions before we go into these programs?

Mr. STOCKMAN. Well, I think the record of almost everybody involved in the business—private forecasters, CBO, this administration, the past administration, the Congress—is not very good.

I would note that in 1980, in June 1980, this Congress passed a balanced budget resolution with the support of the previous administration and most of the majority members at that time in this body.

It turned out to be $60 billion in deficit because the economic assumptions proved to be drastically wrong and that was only 6 months before the fiscal year started.

That is no excuse. That is no justification, but our economy is going through a fundamental transition, inflation is being rung out of this economy.

The inflation rate dropped 25 percent last year and, as a result, there are dislocations that are regrettable and unfortunate in the process but it makes it very difficult for anyone to predict with any confidence, with any great deal of certainty as to precisely where the interest rate or the inflation rate will be in the next budget year or 3 or 4 budget years down the road.

I think we should all recognize that and do the very best, most prudent job we can and then make our decisions on tax policy or budget policy on the basis of the assumptions that we judge to be correct.

Senator GLENN. The inflation rate that the administration likes to take credit for has been brought down by food prices leveling off, energy prices leveling off, and unemployment.

I don't think you can have it both ways. You cannot take credit for inflation coming down and at the same time say we have to wait for our progran to take effect in the country, but that is another subject.

On the subject of the New Federalism, what did the President draw on in the formulation of this proposal?

Mr. STOCKMAN. I think first and foremost, they drew on his deep and longstanding conviction that this $100 billion grant-in-aid system doesn't make sense and on the personal experience and frustrations he had as Governor of California, the largest or one of the largest States in this system for 8 years.

I think he probably has more first-hand expertise than you or I, or many other Members in the House or Senate, because we work at the Federal level and not on the receiving end.

But beyond that, obviously during this past year as we sought to bring about block grant reforms, to change many of these categorical grant-in-aid programs that are now proposed for turnback, numerous studies and analyses, so forth, were done and that provided a body of material to draw on and I might say that on the outside, most of the gripes involved, the National Governors Association, ACIR has done just voluminous studies and made carefully considered and well developed proposals in this direction, maybe not the same in the specifics but in this direction for a good period of years.

So in terms of a body of evidence, a case, a record, if you will, I think there is much there to draw on.

Senator GLENN. Let me ask with regard to the New Federalism, how would it allow for continued enforcement of rights and duties established by the national majority?

In other words, the Civil Rights Act of 1964 prohibits certain things in all federally assisted programs.

Once these go back to the States and once they are opted either in or out by the States, what will be the statutory guidelines or how will these apply to civil rights?

Mr. STOCKMAN. Senator, I would think at least through 1991, the same principle you have in general revenue sharing would apply. In other words, all the Federal civil rights requirements apply to general revenue sharing moneys today and if the State takes a dime, its entire budget comes under the purview of those requirements.

The same would be true here. If the State opted out of, say, an education program that has certain civil rights requirements, took super revenue sharing, then, again, that would have attendant to it a requirement just as general revenue sharing does at the present time.

At least through the next decade there wouldn't be any change in the status quo.

Senator GLENN. We have had that big stick of the Federal Government over these programs. If they go back to the State level, I think it is questionable as to how much they might be enforced without a great deal of Federal litigation going into it.

Many people feel and most of our Governors have felt for a long time, I think it would be fair to say that our basic welfare programs are properly a Federal responsibility.

There are many social services all of us would agree can be better shaped at State and local levels but the basic welfare programs are fundamental to the survival of millions of destitute people in this country.

The National Governors Association say the States will not be strong enough to absorb all the new responsibilities.

How are they going to handle this? This is something that is a national problem.

Let me give you an example. We have had immigration in New York, immigration from the South into New York as we went through an agricultural revolution in this country.

They had a much bigger problem than other States. They are less able to take care of that just from within their own State.

How do you answer that?

Mr. STOCKMAN. I guess my answer there is to refer to the logic of the swap.

You concern yourself of with how will the States take care of AFDC or food stamps. I think an even more important and interesting question is, How are they going to pay their medicaid bills as their populations age, as the costs of an unreformed health delivering reimbursement system continued to escalate out of control year after year?

Last year the States paid $13 or $14 billion for medicaid. By 1986, they would be up to $23 billion under the existing system. By 1990, $35 billion.

Now by taking that burden off the States and by bringing about the reforms in cost containment and the reimbursement system on a unified Federal base, it seems to me we have done more to free up State resources to assume these other responsibilities that are growing much less rapidly that you are properly concerned about and if we tie to it a maintenance of benefits requirement, we have both the financing and the assurance that those who are benefiting today from these programs will not be left without protection.

Senator GLENN. I think if we put a maintenance program on, we will have to have minimum national benefits and eligibility standards. It is difficult to see how we can really go to the States and say you have to do it when they don't have the tax base after the trust fund has run out, when, perhaps, they have all been drawn down and are left with the same base they had to begin with, unable to take care of their problem while saddled with mandatory requirements.

My time is up. I think that that is a difficult area to address.

Chairman ROTH. Senator Danforth.

Senator DANFORTH. Mr. Stockman, it has been said that the New Federalism concept is merely a diversion. Do you view it as a diversion? Is the administration going to be less attentive to economic questions, budgetary questions in 1982 than in 1981?

Mr. STOCKMAN. Senator, absolutely not, and even if we wanted to, you obviously couldn't, given the nature of the problems that we face, and the urgent need to deal with them.

But I keep hearing this argument over and over and it seems to me that somebody has invented a variation of Gresham's Law that bad problems drive out good solutions. This is a good solution to a different problem and it is going to have to be dealt with over a long period of time and if we don't start sometime, we are never going to make any progress, and it is that simple.

Senator DANFORTH. This charge really strikes me as peculiar. Here is a concept—Federal-State relations—which was a fundamental concern at the very beginning of our country, and now some individuals could suggest that the administration's interest is as a diversion.

It was the subject of the Federalist Papers, it was the subject that consumed the attention of Jefferson and Hamilton and of all the founders of our system, and suddenly this basic concept—Federal-State relations—is viewed as a diversion.

I would not view that as a fair characterization and I understand you would not either.

Let me put this question to you. On the issue of maintenance of effort of AFDC and food stamps, it is unclear to me how long the maintenance of effort requirement would last. It is my understanding of your testimony that this is a matter to be worked out in the course of proceeding with legislation.

Would the administration be amenable, if Congress so chose, to having a permanent maintenance of effort requirement for AFDC and food stamps?

Mr. STOCKMAN. I don't know there would be any formulated view at the moment, whether that is acceptable or not. I think permanent is a long time and I think if you are talking about a turn-back in realinement in some fundamental sense, you necessarily would not want it marred with permanent Federal intrusion in some specific area.

There will be great differences among people as to the judgment of essential fairness, capacity, compassion, and I would see this as a consensus solution. Somebody is going to start at 50 years, and somebody else at 3, and I think as the discussion moves forward, like on practically everything else, that we could come to a just solution on that particular issue, and I think we ought to leave it for the later stages of the process.

Senator DANFORTH. Here is what I think is the nature of the concern. AFDC and food stamps are the basic Federal programs providing assistance to the poor. Even if the medicaid burden is going to be taken from the States, there is a possibility that some States, which have ambitious welfare programs, are going to continue to deteriorate economically, that the economic flow in the United States geographically is going to move from the Northeast and from the Midwest to the energy-producing, oil-producing States. And even though the medicaid burden, which is substantial, will be assumed, still the tax base is going to continue to deteriorate. Therefore, the concern is that over a period of time, it will be increasingly difficult, perhaps even impossible, for States to maintain the AFDC and the food stamp program and that there will be continued political pressure as the funds get short, to divert funds from these basic human need programs, and to other State concerns. Therefore, I wonder if we couldn't accomplish essentially the objective of the administration's program, but bear in mind this possible concern, recognize that perhaps the assumption of medicaid costs will not provide the full solution to the problem, and either provide for a continuing maintenance of effort or provide some more permanent means of infusing funds into these economically deteriorating States for basic human need purposes.

Mr. STOCKMAN. Again, I think that is a question that should be on the table, it should be thoroughly aired and debated and discussed, but I think you really have two objectives that need to be kept separate, at least for the initial discussion, until such point a determination is made that they should be welded or melded together and that that is doable and practical in some basic practical and political sense.

One is equalization of tax base disparities among the States and that is something that changes over the decades, and another is a realinement of institutional responsibilities within the system and the two are not the same thing at all.

It seems to me that before you try to bind the two together or meld the two together, you ought to determine what is relatively more important, what is relatively less important, will the lesser important objective interfere prohibitively with the more important one and after long discussion about that, you will be in a better position to answer it.

We, at the present time, had not contemplated the disparities objective as part of realinement, but it is not something that cannot be talked about and certainly would not be outside the ambit of discussion.

Senator DANFORTH. I am really pleased to hear the openness and the flexibility of the administration in working those problems out. I tend to see the two problems as being harder to divorce than you might; that is, it seems to me that the flow of economic power, governmental economic power, tax base power from the Northeast to the oil-producing States is a very real phenomenon and it is going to continue to be a very real phenomenon. I hope that as we progress in considering this bill, we can think out what is going to happen if very large States with very substantial commitments in the way of welfare assume a burden that increasingly will be difficult for them to assume.

Some people have suggested that what we should do is encourage the population to move. I don't think this solution would win a majority in the Senate. Certainly after looking around this committee, I don't think it would win a majority in the Governmental Affairs Committee. But as I understand it, the administration's position is that you are open to the question of maintenance of effort and that in consideration of the bill perhaps we might be less willing to divorce the economic disparity questions.

Mr. STOCKMAN. That will be the case, but I am going to try again on a point I think addresses that in a way that has not been perceived by some who are concerned.

And that is very simply to say as the industrial base ages, as the tax base ages, or deteriorates, the population tends to age as well, and the hidden fiscal time bomb in the future of those States you talk about now, the Northeast Frost Belt States, is the medicaid bill that they will face down the road. Most of medicaid today is not paying hospital bills for poor people who are under 60. Half of it is paying for medical care, intermediate care, skilled nursing care for people who are elderly, and that is growing very rapidly. That is the dynamic component of the entire system.

So it seems to me, looking at it in some broader gage sense, the concern that you have raised is in some basic and I think powerful way addressed by the medicaid federalization initiative.

Senator DANFORTH. Thank you, Mr. Chairman.

Chairman ROTH. I would point out, Mr. Stockman, that we will keep the hearings open so that those who want to submit written questions to you can.

The reason I raise that, I know the President of Egypt is going to be here for lunch and there are some who are hopeful to attend at least part of that.

Senator Sasser?

Senator SASSER. Thank you, Mr. Chairman.

Mr. Stockman, last Saturday the administration acknowledged that the New Federalism Trust Fund was several billion dollars short of money needed to fund the 43 Federal aid programs in the trust fund at current levels. As a matter of fact, in the words of the OMB spokesman, Mr. Edwin Dale, and I quote, he said, "I was ready to tell anyone who asked, but why emphasize it?"

Senator Glenn referred a moment ago to a credibility problem emanating from OMB. There is going to have to be truth in packaging with the New Federalism. Many of us still wonder about it. I, for one, am not going to stand by and have us sold a bill of goods that results in massive tax increases for the people of my State, the people of Tennessee.

Now, in that regard, Mr. Stockman, I want to ask you why the Office of Management and Budget is holding back the 1981 Federal aid data to State and local governments. I refer to a memorandum for Assistant Secretaries, Directors of Management, dated December 14, 1981, from Mr. Edwin L. Harper, subject, Discontinuation of Geographic Distribution of Federal Funds. And it says,

> It has been decided to discontinue the compilation and publication of the geographic distribution of Federal funds effective immediately and data should not be submitted for fiscal year 1981.

Why do we want to discontinue that at a critical time here when we are trying to assess the impact of this new program?

Mr. STOCKMAN. Two reasons, Senator.

The first reason is the Congress cut our budget 16 percent and we simply don't have the funds to pay for it.

Senator SASSER. We thought what was sauce for the goose was sauce for the gander.

Mr. STOCKMAN. I don't object to the 16-percent cut, and I am going to take administrative action accordingly to insure we live with the budget you do give us.

Second, the data quality used in that is not very good and it duplicates other sources of State-by-State fund breakouts that are available. In fact, I was amazed when I got to OMB to find out there are five or six different systems for collecting that kind of information, and I can assure you that information will be available in the future from other sources.

Senator SASSER. Mr. Stockman, Governor Snelling, of Vermont, recently said you don't have a strong Union when you have 25 strong States and 25 weak States, and he made this statement after he had assessed the New Federalism proposals, and my distinguished colleague and chairman of the Intergovernmental Relations Subcommittee, Senator Durenberger, I believe has echoed these comments, if I am not mistaken.

Simply put, after the Federalism Trust Fund is phased out, won't the poorer States, and many of them happen to be in the South, they are going to face a very difficult time in financing, essential transportation, water and sewer, community development and social service programs and the question that concerns me is how in the world will Tennessee and Mississippi and Arkansas and the Carolinas which are relatively poor States—sure, we have made some progress in the past 20 or 30 years, but still on a per capita basis, we are poor States—how will we be able to finance these services at comparable tax levels as Texas will do, as Wyoming can do, as Connecticut can do, States with much higher per capita incomes and which also have a tax capacity either 40, 50, 60 percent higher than most of the Southern States.

Where is the money going to come from?

Mr. STOCKMAN. Senator, I think in terms of where the States are in 1991 is something that can still be looked at and can still be examined very closely. But as I have indicated a number of times this morning, the State of Tennessee and every other State over a 10-year period will gain so much from the swap that you will have available tax resources that now are in effect committed to medicaid funding and if you add those plus the turnback of the Federal excise taxes, you roughly have a level of revenue maintenance for the States after 1991 that is equal to the total trust fund size in phase I.

Now, if that isn't satisfactory in terms of some States being judged to have permanent tax capacities that are greater than others, not only in 1991, but for the indefinite future, then maybe another arrangement would have to be made. If it is judged that the trend toward equalizing per capita incomes and per capita tax capacities is likely to continue apace, then you might want to make the phaseout longer and provide that trust fund protection.

It seems to me there are a lot of different ways to deal with that problem if it exists. As we go through this consultation process, let's first demonstrate that it exists.

As we have viewed it thus far, we don't believe that that problem will be there at the end of the road. If it will be, lengthen the road. If it is always going to be there, find some other way to address that issue.

Senator SASSER. Mr. Chairman, one final question. I note that the preliminary materials on the New Federalism includes a phasing out of the general revenue-sharing program. I have gotten nothing but universal comments of praise for general revenue sharing from local officials and also from State officials before it was phased out for State government. It provides a no-strings-attached assistance to hard-pressed local communities. Now with no strings attached and local communities deciding how to use it, it looks to me as if this would be right down this administration's alley. Why does the New Federalism phase out the local revenue sharing?

Mr. STOCKMAN. The answer to that is general revenue sharing would be part of the trust fund through 1987, so rather than phase it out as it expires in fiscal year 1983, this in a sense extends it and gives it a financing source for the next 5 years. After that, as the trust fund phases down, all the Federal programs included with it expire and we felt if you are going to make this fundamental realinement of its system both programs and tax bases, then general revenue sharing no longer made sense to keep on the Federal level.

Senator SASSER. Thank you, Mr. Chairman.

Chairman ROTH. Thank you.

Senator Cohen?

Senator COHEN. Thank you, Mr. Chairman.

Mr. Stockman, I didn't have a chance to make an opening statement but I would attempt at this point to raise a rebuttal to some of the statements being made. It seems as if some members of this committee are saying that we trusted you and you deceived us, as if your figures were etched on Mount Sinai and presented to the Congress and we accepted them.

As I recall, there was rather vigorous debate in the Senate over the figures that you submitted to us. As I recall, those figures were disputed right down until the final vote. So I think it is rather inconsistent for anybody to suggest you somehow deceived the entire Congress when, in fact, Congress challenged your assumptions almost from the very beginning.

Second, with respect to Reaganomics, which now appears to be being blamed for everything that is taking place in our economy. I happen to think that the article that appeared in the Atlantic was not exactly an act of wisdom, but I do think you were right in some of the things you said. In fact, greed did take over in the Congress. In fact, we did start feeding at the trough and the original proposal submitted by President Reagan bore little resemblance, in my judgment, to what finally emerged from the Congress. As I recall, that was a bipartisan celebration and revelry that took place. We all sort of celebrated Christmas last July.

So I don't think we can hang that particular burden upon you or the administration.

Also, I find that there is a sort of common, and almost pervasive, sentiment that we are all in favor of changing the system. Everybody seems to be in favor of somehow dealing with the financial disaster that we have been facing except when you come up with a proposal. Then we subscribe to that old maxim of "don't just do something, stand there." Frankly, you come up and make a proposal, and we are the first ones to rush and criticize you. I don't think the proposal is going to emerge from this Congress exactly as you presented it, but I do think it is important that you make a presentation and I commend you for coming forward and offering your comments today.

I would like to know a little bit more about your perception of the role of the Federal Government. We talked about this many times before last year when we talked about disparity and regional climate and regional geographical disparities, industrial bases, and so forth.

What is the role of the Federal Government in dealing with the regional disparities? For example, the President has proposed urban enterprise zones. How is that, targeting money toward those urban areas which suffer from high unemployment, decaying industrial base, and so forth, consistent with this New Federalism? What is the role of the Federal Government to be?

Mr. STOCKMAN. Senator, that is not an easy question to answer, but I think the first maxim that I would establish is that as the Federal Government seeks to even out or remedy disparities, they should proceed with great caution and care. Not that it shouldn't attempt in some cases to do it. But if you look at the struggle in the Congress today over the allocation formula for some of these programs and the Sun Belt caucus versus the Frost Belt caucus, you have to ask why is that struggle going on today? And it was because somebody 20 years ago thought it would be a good idea to even out fiscal disparities between the Southeast, the Southern States and many of the Western States and the higher income Midwest and Northeast industrial areas. Those things tend to get institutionalized, they tend to get locked into rigid formulas, they tend to build strong coalitions of political interests that make it difficult to alter them as facts and circumstances change. That is one of the things we are struggling with today in the question of where to cut in terms of impact from one area to another.

So, therefore, it is not wrong or inappropriate for the Federal Government to address that disparities issue, but I think our experience with the last round, the last 20-, 30-year cycle of change in growth, decline in our economy suggests great caution is warranted.

How does that fit in with urban enterprise? Here it seems to me you are dealing with very selected areas, at least that is the intention. Not whole cities, not whole metropolitan areas, not whole States, but relatively limited, tightly defined and limited communities that have practically no existing tax base or level of basic economic activity. It seems to me that kind of much more targeted, selective approach is what might best be the route to follow in the future in terms of dealing with disparities, rather than statewide and regionwide concepts which simply are difficult to apply.

Senator COHEN. In the closing remarks of your opening statement, you stressed rather vigorously that we were going to move away from a guaranteed annual income and a grand redistribution theme, which I think implied at least moving away from any kind of a socialistic or corporate welfare state. But, on the other hand, there are certain programs such a social security, which this administration supports to guarantee older people a certain minimum income level across the board. Children, for example, should have a guaranteed minimum level of nutritious diet. We don't disagree on that, do we?

Mr. STOCKMAN. No, we don't. As a matter of fact, that is one of the reasons for sorting out. It seems to me the explosive public policy problems of the next two decades are twofold. One is stabilizing and making solvent the social insurance system as the population ages and we better spend a lot more time on that and a lot less time on sewer grants if it is to be solved. And second is bringing the explosive cost of our medical delivery and financing system under control.

The 50 states cannot do that individually. That is a proper responsibility of the Federal Government for no other reason than its own self-interest, given the cost projections for medicare that take us to $100 million a year within a relatively short period of time.

Those two things are social programs. Those two things affect needy members of society in ways many of these categoricals that some people are objecting to, the elderly population, the sick population. I would say that is a pretty heavy reasponsibility and if we could get some sorting out we might do a much better job at the Federal level in dealing with both of them.

Senator COHEN. Whose numbers are we going to use when we talk about making sure no one wins or loses? For example, the Maine Department of Human Services indicated to me the medicaid savings would be $65 million, the cost of AFDC and food stamps $109 million for roughly a $40 million difference. Yet I have figures from the Federal departments which say it is only a $20 million difference. Whose figures do we use, the State's, or the Federal Government's?

Mr. STOCKMAN. This was put out only for illustrative purposes. I am not sure whether your State was using 1984, which is one thing, or 1981, which is another.

Senator COHEN. If there is a difference, whose will we use?

Mr. STOCKMAN. I think we ought to set up some kind of independent statistical tribune to determine ultimately—these numbers will be important in the system. We had a lot of grants in grants-in-aids, how do you measure poverty, so forth. We put these out as an illustration. The principle is dollar for dollar and if the consensus of people who look at it and experts is that different projections are appropriate as time goes on, before you sign any final statutory document, you would want to have consensus on what those estimates are and a flexibility in the system to change formulas as underlying estimates change.

Senator COHEN. What do you plan now in terms of dealing with the so-called optional coverage under many of the medicaid programs? For example, in Maine we cover prescription drugs, other States cover eyeglasses and dental care. What are you going to do at the Federal level on the optional coverage?

Mr. STOCKMAN. There is no final solution, just an indication—there is such variance among the States. Some have very few, some have 20 or more. You are going to have to look at them one by one and try to work out some kind of reasonable accommodation as to what should be covered on a standardized basis and what not. The optional service issue is not easy but will not be that difficult to solve. The optional coverage, your eligibility issue is the one that is going to be far more difficult and that is where a great deal of work remains to be done.

I don't think there is a fixed answer to both except we will look at all reasonable proposals.

Senator COHEN. That is all I have, Mr. Chairman.

Chairman ROTH. Senator Pryor.

Senator PRYOR. Mr. Chairman, I think Senator Levin is next. We switched places.

Chairman ROTH. Senator Levin.

Senator LEVIN. Thank you, Mr. Chairman.

Dave, you said this morning that there are going to be no winners or losers, at least in the early stages of the program, and I want to know how long you are going to give us assurance that there will be no winners or losers?

Mr. STOCKMAN. As you know, Senator, through 1987, the next 6 or 7 fiscal years, there will be an absolute match between program costs and finances available.

Senator LEVIN. I understand the Trust Fund, the payments will be adjusted.

Mr. STOCKMAN. That is right.

Senator LEVIN. To make up for any disparities in the figures. After 1987, there may be winners or losers?

Mr. STOCKMAN. Ultimately——

Senator LEVIN. Not ultimately, after 1987 will there or may there be winners or losers?

Mr. STOCKMAN. I don't think it could be said in advance. If the States were willing to pick up the Federal excise taxes, if they were willing to try to run the programs a little more efficiently, if they realize a huge medicaid swap savings, which I am certain they will, it is just in the nature of where these two systems are trending, I don't think there should be any winner or loser.

Senator LEVIN. Are you able to give us assurance there will be no winners or losers after 1987?

Mr. STOCKMAN. No, because you can't make the world stand still. Who knows what is going to happen between now and 1987 or 1995 in the State tax bases, so forth.

Senator LEVIN. I am looking at how the tax fund——

Mr. STOCKMAN. The Trust Fund, there will be no winners or losers.

Senator LEVIN. As long as it is partly in operation there will not be winners or losers. Are you guaranteeing us in the phaseout period there will be no winners or losers?

Mr. STOCKMAN. During the phaseout periods, each State's share would be based on its share of the programs and the costs. They lose, I guess, in one sense and that is the Trust Fund phases down 25 percent each year and so the State then must pick up the additional financing with the turnback taxes.

Senator LEVIN. And you are not able to give us any assurance that the excise taxes remaining to every State will be sufficient to pick up that difference?

Mr. STOCKMAN. No, you couldn't do that. There is difference in State tax generation capacity with these taxes.

Senator LEVIN. So isn't it fair to say looking at this thing straight that there may be winners or losers during the phaseout portion of the Trust Fund, the second 4 years?

Mr. STOCKMAN. Senator, we can go around that issue for a long time. I think there are going to be mostly winners, the taxpayers, because this system will work better when it is run closer to the communities where these services are delivered and everybody wins in that kind of process.

Senator LEVIN. Mr. Stockman, I think it is important we really look at the best number we presently have and try to reach some conclusions and be straight about it. Your phrase "no winners or losers," not mine, about the first 4 years—I want to know whether or not there may be winners or losers among the States during the second 4 years.

Mr. STOCKMAN. There may be.

Senator LEVIN. That is important. Now after the second 4 years, after the Trust Fund is phased out, at this point we now have the Feds picking up medicaid and we have 50 States with their excise taxes and there will be a great difference among the States particularly as to the windfall profits tax. Take the States that don't have any oil, what are you going to do about them? Could they be losers after the first 8 years?

Mr. STOCKMAN. They potentially could be losers, but as I have said a number of times this morning that those very States, and Michigan is one of them obviously, will reap enormous fiscal benefits from medicaid federalization.

Senator LEVIN. I heard you this morning. My question is, and forgive my voice——

Mr. STOCKMAN. That is part of the test to determine whether there is a winner or loser.

Senator LEVIN. Indeed it is. Indeed it is and on the whole you have told us this morning all the States, when you add up all the medicaid payments, will come out ahead as a group. I understand that very clearly. The question is, Whether every State——

Mr. STOCKMAN. No, on the swap every State won't and that is why the Trust Fund——

Senator LEVIN. After the 8 years is over, there is no more Trust Fund. Now, will every State come out ahead on the basis of what is presently known?

Mr. STOCKMAN. You can look at it on a very narrow accounting base with green eyeshades and say no or I can't predict. You can look at it in the more fundamental sense and say we are going to basically ventilate this governmental structure which is simply not working today and that every State would be better off as a result of having Federal mandates lifted of not having to be simply a provincial extension of a bureaucracy in Washington and under that criteria, which I think is broader and more important, every State should win.

Senator LEVIN. A lot of States are interested in the money and what they are going to lose in dollars and not in the rhetoric about greater flexibility. Nobody believes more than I do in the need for greater flexibility at the State level. I believe in federalism very deeply, but if this program is paraded as an even swap, touted as an even swap and it isn't, it gives federalism a bad name. And, as a matter of fact, there is no assurance that after 4 years it's an even swap for every State.

You have already acknowledged that today. And I believe there is no assurance after 8 years that there is an even swap for every State. Do you want to give us the assurance——

Mr. STOCKMAN. No——

Senator LEVIN. That it is an even swap for every State, not all the States put together as a package, but can you honestly give us the assurance this morning that every State at the end of 8 years will be at least as well off based on the dollars as we now see them as they are now? Can you give us that assurance?

Mr. STOCKMAN. Let me answer it this way. No one has pretended that, suggested that, or said that. We have said——

Senator LEVIN. Well——

Mr. STOCKMAN. If I can continue. We have said during Phase I, through 1987, the next 6 years, there will not be any winner or loser. Beyond that you can't predict, it would be imprudent. The only thing I can say about the State of Michigan that I have some knowledge about is that today for every dollar you send to Washington you get 67 cents back. You rank at the bottom of the scale. It seems to me by sending the programs back and the tax bases back while no one can be certain, a State like Michigan that is exporting tax dollars to other States today will clearly be better off.

Senator LEVIN. I am very much familiar with the State of Michigan as you are. We have asked you for the State-by-State breakdown of the regional figures which you never supplied. You indicated under the last budget the regions didn't lose vis-a-vis each other, that there was a fair share in the cuts. I asked you whether the State-by-State breakdown which went into those regional totals was available. You said of course because that is the only way you can come up with the regional totals. But I have tried, Mr. Chairman, for 6 months to get the State-by-State totals from you.

I would ask you, will you give the committee the State-by-State total?

Mr. STOCKMAN. I am not sure which study——

Senator LEVIN. The last budget.

Mr. STOCKMAN. From last March?

Senator LEVIN. Yes, that made up the regional figures.

Mr. STOCKMAN. I don't see why that couldn't be done. No one has brought it to my attention.

Senator LEVIN. Now let me go back to the point this morning. The President has said it is a financially equal swap. He didn't say for 4 years. You have said it's a financially equal swap. Until right now you have not said that's for 4 years and after that there are no guarantees, and you put out literature which says equal swap, no individual State gains or losses and you have shown the first 4 years without any suggestion that in the second 4 years and beyond that there is no guarantees. The States have to know what happens after the first 4 years and if there is no equal swap assured—and there is none, you finally acknowledged that this morning—I think the States ought to know it because otherwise they are buying a pig in the poke if they buy this federalism.

It is built on sand. The assurances that you give them that there will be an equal swap are there for 4 years and then disappear. That is not what I believe federalism should be. I believe federalism can be a lot more creative than that and there is no stronger supporter for greater flexibility at the State and local level than this Senator. I have been fighting for that flexibility for a long time, as you know it. But I believe if we are going to offer a program to the States which is touted to get them into the theater as an equal swap, we better tell them in the same breath that after 4 years, my friends, there are no assurances. That is what you haven't said until this morning.

Mr. **Stockman**. Senator, I take issue with that. You can't say everything in one breath, but in one paper which you have before you, it says the Trust Fund is phased down 25 percent a year, $7 billion each year from 1988 to 1991, that it is zero after that and the States would be entirely responsible for the programs and raising taxes at that time. It is all in the document. To suggest there has been any indication here that there is a permanent hold harmless, that it is financially equal in perpetuity is to distort beyond all recognition what we have said.

We have said the swap is equal between medicaid and food stamps, and it is. It's a better deal for the States. And we have said there will be no dollar losses during phase I. That is what the background material has indicated. That is what the chart book you have indicates. I don't think it is useful to suggest anything otherwise because we certainly haven't.

Senator **Levin**. My time is up, thank you, Mr. Chairman.

Chairman **Roth**. Senator Rudman.

OPENING STATEMENT OF SENATOR RUDMAN

Senator **Rudman**. Thank you, Mr. Chairman.

You know, Mr. Stockman, as I listen to the recollection of all of the forecast we heard last year by many, mostly eminent economists, I am reminded of a recent definition of an economist that they are always wrong but never in doubt. We really seem to be dealing again with projections that, of course, as you say very candidly, and I appreciate your candor, are very difficult to make. With that in mind, I just want to raise what I think is a fundamental issue in this whole program that has not been addressed by anyone.

You have 43 turnover programs listed. As I look at those 43 programs, I recollect back over the last 20 years with my involvement in State government in New Hampshire that many of these programs were proposed at the State level and rejected by the legislature. Of course, the State of New Hampshire and I believe every other sovereign State in this Nation is by constitution barred from deficit spending. There may be an exception. I do not think there is. And, thus, after the rejections occurred at the State level, these programs eventually were lobbied at the Federal level.

We now have these 43 programs and many others. The difference, of course, is the greater distance you get from your home as a politician, the less responsible you have to be. I believe that. The Federal Government adopted these programs and paid for them not with tax dollars, but with deficits. These 43 programs by my understanding this year will account for somewhere between $30 and $40 billion of the current deficit. But that is all right. We don't have to spend for these programs, we will just finance them through deficits which, of course, this year will cost $100 billion in interest by most figures that I see. So the real question in my mind is not what we have been discussing this morning regarding whether or not there will be an equal swap.

The real question is whether or not the people of this country want these programs and if they want them, are they willing to pay for them? Now with that in mind, I do have a question to ask.

This entire program is based on a trust fund which, as Senator Levin pointed out, will expire at a certain point. Senator Danforth talked to you about equalization, which I happen to believe in because I think there ought to be some equity in this entire program for those States which truly have low per capita incomes. With that in mind, has this administration given any thought to a proposal that has been put forth by many economists that rather than fund this through a trust fund, which, after all, is subject to much action on a variety of State levels which could be very inconsistent, use a system of revenue retention of a certain percentage of all Federal dollars, raised in that particular State and then equalized. That is a proposal that has been made over the years.

This proposal has been made by eminent economists, it is very easy to administer, it is New Federalism in its quintessential form, it gives the States the power to use the money and it does not depend on the State government enacting any particular revenue source to reach a base figure and I wonder if that has gone into your thinking at all.

Mr. STOCKMAN. Senator, we looked at that very carefully but what we found is that for most Federal tax sources there is an enormous disparity among the States in the terms of generating capacity. If you take the Federal income tax, there is a range, I believe, of 2 or 3 to 1 per capita from the top State to the bottom State in terms of what would be generated if you get back 1, 5, or 10 percent of the income tax. In the case of the excise taxes, there are disparities but they are not as pronounced. They are closer to the money on a per capita or tax capacity basis, but even there there are large disparities and that is why we developed the notion of a trust fund, not based on the States revenue raising capacity but on its current costs for Federal programs in order to give a long period of time before those disparities would have to be dealt with.

I think rather than solve that problem by going to it immediately, it would preclude any action toward realignment because then there would be huge losers between the Federal program dollars lost and the Federal tax dollars generated within State that would make it impossible to get any legislative consideration of the basic design.

Senator RUDMAN. I understand the disparities between the two, of course, and the second part of my question I would just like to repeat. One of the possibilities of revenue retention is to have a base equalization which depends on certain factors that you might want to consider. Many of us believe, whether or not it has been so stated by the courts, that people have a constitutional right to basic medical care, a constitutional right to basic nutrition, a constitutional right to basic housing. That is implicit in some court decisions and certainly acts of this Congress.

If you were then to take the costs of that basic program, equalize it on a revenue retention basis, don't put it into a 4-year trust fund but say from here on after, the States will receive a certain amount of Federal money raised and then equalized to take disparities between New Hampshire and Texas, Michigan and Oklahoma, and have it as a permanent part of that State's tax base, then at least those basic things will be accounted for and these 43 programs, if the States wanted to put them in effect, they could and if they didn't, they wouldn't. That, I think, is the right of each State legislature to do and of course you then attack the problems of the deficits for which this is presently being paid for.

I just wonder whether or not this program will have a better opportunity of being sold in the long range if there is a permanent dedication of some part of the Federal tax base to each of the States which I see as the Achilles heel as expressed, I think, in some of the qmestioning this morning.

Mr. STOCKMAN. Senator, I think that is something that can be looked at. Again, as the President has indicated and I have tried to reinforce this morning, except for the basic framework of a staged period of time of a dollar for dollar substitution during the initial period of turning back responsibilities, details of this sort, it seems to me, are fully open for discussion. I do have a concern, though, about the notion of an equalizing payment on top of the revenue retention. You would have to base it on something, and if you deviated from per capita equalization, you immediately are into an enormous thicket in a swamp of what are the best criteria or measures to use to determine the equalization. That is No. 1.

I am not sure whether you take current income levels, the growth rate for the last 4 years, whether you have minerals or not, average age of the population, you get all these factors on the table and you end up in a very difficult position in terms of the equalization criteria.

The other thing is it would cause a large divergence between the total revenues available from retention plus equalization relative to the cost of these programs. If you look at these programs, they average $180 per capita nationwide, but they range from $100 to $500. That expresses history, what is built up over the years as all of these different programs evolved, and if you have a major difference between what States are getting now from these programs and what they would get even with your retention equalization scheme, you are, again, in a nonstarter position.

Nobody is going to take large losses in the short run as part of a mutually agreeable goal that I think we are all trying to accomplish.

Senator RUDMAN. The proposals I have seen relate to per capita which, of course, would help do the equalization based on the average national per capita and that, of course, the last part of your answer comes down to the philosophical difference between my friend, the ranking minority member, the Senator from Missouri, Senator Eagleton, and myself in which he points out that there is some sort of a heavy emphasis on suburban and rural representation in the legislature of that State versus urban so that many of these problems, of course, that we address from the Federal level might not be addressed at the State level.

If you really believe in federalism at all, in my view, and in representative democracy, then I believe those decisions properly should be made at the State level and if those are the differences in disparities then they have to be fought out in the local political system rather than imposing them from here, which has only resulted in deficits which by anybody's figure are about to sink the country. So I subscribe to the program, but I really hope that you will look beyond the 4 years because it seems to me that unless we can show the States that they will participate in some way in this total occupation, if you will, of the whole taxing area, which is dominated by the Federal Government, unless we give the States some permanent piece of that Federal revenue base, we will have difficulty in selling a program which I believe holds great hope for reducing deficits through imposing more responsibility on those who spend to tax.

Thank you, Mr. Stockman.

Chairman ROTH. Senator Pryor?

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. Thank you, Mr. Chairman.

Mr. Stockman, first I would just like to make one quick observation. On the night of January 26, when many people said that the President had unveiled a New Federalism for America, I think basically he was confirming that night that a New Federalism was already in progress.

As we look at the budget figures for 1982, at this point in this fiscal year, we will be appropriating 26 percent fewer dollars for the use by States and local governments in this fiscal year than we did in 1981, and 37 percent fewer dollars for the use by States and local governments than we did in 1980.

So the New Federalism is already in existence. It is in our system, it is started. Now I think the issue is what do we do with it. I want to say I agree in philosophy with trying to create more flexibility on the local level. I know when I was Governor of our State of Arkansas back in 1976, I proposed a similar plan, which became known as the Arkansas Plan. I must say to you, Mr. Stockman, that it was received by the State legislature with a minimum of high regard, and I was clobbered in the process. But I do think it is healthy for the Republic to bring out issues like this, and subject the issue to national debates like we will be encountering in the coming months.

Second, I would like to mention for all to consider, that two-thirds of all the States last year raised taxes—two-thirds of the 50 States went to the people or the State legislatures to raise taxes. I think that that should be a significant factor in looking at the New Federalism and asking ourselves how much more the States may be able to do.

The third point I would like to make, Mr. Chairman and Mr. Stockman, is to say that it worries me to a degree, and there is a degree of paradox and irony that under the New Federalism concept, the Federal Government is proposing to take over medicaid.

Today 40 percent of all medicaid dollars go to nursing homes and I would like to make an observation about and on behalf of the 1 million nursing home patients who may be affected by New Federalism in a most significant and a most adverse way. In the coming days, it is my understanding if this internal draft is correct, that the Federal Government, this adminitration is going to propose massive changes in, and reductions of, nursing home regulations that this Congress has fought the last 20 years to obtain. If the Federal Government is saying that under this concept it will take over medicaid, and then at the same time come in the back door and say that we are going to relax these regulations for the 1 million nursing home patients and, thus, destroy the only means of protection in those nursing homes across America, I would say and submit to you most respectfully that that plan is not a sorting out plan, but it is a leaving out plan.

I hope that you will give strong consideration to making certain that these regulations do not get as far as the Federal Register and certainly that they do not get as far as being implemented across this land.

I would like to ask this question: In the New Federalism concept, a traditional and historical concept been put in place or taken into consideration—that is traditionally in America when the Federal Government changes its basic income tax structure—for example, investment tax credit, accelerated depreciation, a deduction on certain items—generally we go through what we call the echo effect. That means that the 50 States on the local level basically change their laws to coincide with those changes on the Federal level. Has the echo effect been taken into consideration in the New Federalism concept?

Mr. STOCKMAN. I don't think it has directly, but obviously that is one of the factors of the background or the context that will shape how this thing comes out.

I don't know that you would really want to compensate the States for losses as a result of indirect effects. After all, the States piggy-back the Federal tax bases today because it saves them a great deal of expense and complexity in writing their own corporate tax or writing their own income tax or developing court rulings, and so forth, that apply here. It seems to me the State did that for convenience and if the Federal Government changes its tax rate or its tax base definition, the State retains the sovereign right to not accept that change in the Federal tax base just as it piggy-backed in the first place.

I don't think that is really something for us to bring into this debate or remedy. The States have full powers to do that.

Senator PRYOR. The next question relates to the inflation factor.

Everything I have read thus far on the concept of New Federalism indicates that the inflation rate has not been factored into the figures that you and the administration or CBO, whoever might be presenting at this time. Is the inflation rate being considered?

Mr. STOCKMAN. Yes, it is.

In the case of the entitlement programs, you have to estimate those on the basis of certain unemployment rates and certain inflation rates. The inflation rates we used was our forecast which will be released with the budget next week that I cannot go into detail here except to say it assumes by 1987 the inflation rate is finally brought under 5 percent and we finally got the unemployment rate down to something close to what people consider full employment.

I would say, if you change those assumptions, then your cost for AFDC and food stamps will be higher, but your cost for medicaid will be even higher since medicaid is the most inflation-sensitive program there is. So it won't change the relationships, it will just change the magnitude of the numbers.

Senator PRYOR. I hope, Mr. Stockman, this great debate is not going to be a partisan issue. Nor do I hope it becomes an issue of the poor States versus the rich States as we have already talked about. Let me go to another philosophical point in the New Federalism, and that relates to guidelines that I have heard already discussed. In fact, I think, Mr. Chairman, in your meeting at the White House, I don't want to misspeak you, you discussed possible guidelines that may be starting to be talked about at this time.

I guess one fact of life of bureaucracy and self-government is that sometimes strings become guidelines and guidelines become regulations, and regulations become statutes. I don't know the answer to this dilemma. I do feel that the whole premise, the whole basic assumption of the New Federalism plan working is the assumption that the States and the individual State legislatures, will move into those areas vacated by the Federal Government in the field of taxation. If that assumption does not take place, if that truism does not occur, then I think the plan will fall like a house of cards. I am very hopeful that if the administration is basically trying to sell the plan or push the plan, that the State Governors and those members of the legislative branches on the State level will be made very aware of some of the concerns that we are expressing and some of those considerations they ought to be getting ready for.

Mr. Stockman, I think my time is about up. I for one appreciate your coming before the committee this morning.

Thank you, Mr. Chairman.

Chairman ROTH. Senator Pryor, talking about guidelines is a little bit like talking about being a bit pregnant. It is much more complex than that. I think that is one of the problems with the discussions in the White House.

Let me just underscore one thing you have said, and I appreciate your making this statement. I think it is tremendously important that we have a bipartisan approach to the New Federalism. I think that desire was expressed at the White House and I am delighted to hear you express it here.

Senator PRYOR. It will be bipartisan, Mr. Chairman, but there may be times we will offer constructive alternatives to it if we might leave it at that.

Mr. STOCKMAN. Mr. Chairman, I was going to comment, the two concerns Senator Pryor raised, one, we will all have to strive to make sure it is bipartisan. On the other, there is no worry it will be an argument between the rich and the poor States. I have been talking to all the States for a long time about this and I have not yet met one that has admitted to being a rich State. You are either on the way up or on the way down, but you are poor relative to everybody else.

So I don't think we are going to have that argument.

Senator PRYOR. Basically I think there are eight States that come out the winners in the so-called swap, not getting into the trust fund. And if the trust fund is not there to become, as you say, the great equalizer, then I think we have a dilemma that we are going to have to really concentrate on. That is my concern because I do come from truly a poor State.

Mr. STOCKMAN. A truly poor State.

Senator PRYOR. And a truly poor Senator represents it, I would say.

Chairman ROTH. Senator Mattingly?

OPENING STATEMENT OF SENATOR MATTINGLY

Senator MATTINGLY. David, I am almost ready to cry.

I was one of the last ones here. I assume it is because I went to the prayer breakfast this morning. I was fortunate to sit beside a Member of the House of Commons, and he did not use your term "ventilate," or talk of ventilating the Federal Government, but he did bring up how the Government in England had problems with its size. He referred to a bureaucracy that fed upon itself and that really did not lend itself to a desire to be dismantled: it seemed to be there to perpetuate itself.

I thought his comments were very good.

When I was driving over here this morning, I was reading some of the newspapers, and noted some of the comments by some of the State legislatures that had greeted the New Federalism with hostility; some with misunderstanding, some—as an economist from my own State who made the comment that Reagan's New Federalism was "full of holes," doubted if the trust fund would ever come to being. Needless to say, that economist used to be an adviser to the former President and I would probably say his advice wasn't all that good then either.

But another article has been written and a caption referred to our current situation as a "Potomac Panic" I thought was appropriate for you coming before here today after some of the comments I have heard. But before I get to one question to you, I must say the President's policy for the New Federalism is a good policy. I feel like the Congress will return the power and the authority and responsibility. I think it is a reaffirmation of the democratic process allowing those that are directly working and living with the Government programs to determine the scope of those very programs. And that we can either choose to greet this new phase in history of self-determination with cynicism or suggestions, either problems, praise, criticism or confidence, but primarily we ought to greet it as an opportunity. This program is certainly going to call for good managers as it tries to reaffirm this liaison between the cities and the States.

There are going to be individuals needed to guide us through this transition and we must realize they have the abilities to spend money in any of a number of different areas. And the Congress must look to and ask the advice of our leaders in the States. But I am very concerned that in implementing this new strategy that the Congress and the administration will make a tragic and rather ironic mistake: That we will fail to get the input from those people in this country who are going to be most affected by these changes, not only just the Governors and the mayors but especially from those people that are going to be impacted by those 43 programs that we are going to turn back.

That is why I feel like I need to introduce legislation or a resolution which is going to amend the Advisory Commission on Intergovernmental Relations and mandate that it be expanded for 2 years to create a task force for this New Federalism. For 2 years only, it would include representatives of all the major groups that will be affected by this huge "swap" so that we can have input from those to the impacted and the administration may have the advantage of their advise and expertise, as brought out by Senator Pryor referring to nursing homes and all the other areas of education and hospitals.

I envision a commission with a task force probably twice the present size we currently have, composed of volunteers from the States and localities who will work with these projected programs to be transferred to State and local governments such as members of the school boards and hospitals, people who have dealt with drugs and alcohol programs and people who know these programs and how they impact the needs in the rural and urban areas and they would joint together in offering their advice.

The purpose of this special task force would be to ensure that this Congress and this administration receive the input we so desperately need when making decisions on this New Federalism. I have the greatest belief in the administration's good faith, and I support it. I supported the President strongly throughout this past year, but I feel for America to be fully represented during this transition, we must have this formal legislated authority. The Congress and the administration is going to need such a group of advisors to help answer the thousands of questions that are going to be generated by this program of swaps. The information must be distributed clearly so that there can be no possible misinterpretation by groups hostile to the ideas of a more efficient, less partisan government. And also so that groups that are indeed wanting the programs to succeed have clear and definitive answers provided.

I talked to some people in the administration as well as talking with Senator Durenberger who is on the subcommittee which deals directly with the Advisory Commission on Intergovernmental Relations. They both seem to be interested in this concept. I would like to have your reaction to this, but on top of that I would like to thank you for your cooperation in this endeavor and also my colleagues on this committee who, I know, are really interested in seeing that the people of America as effectively and economically represented as possible. And in a constructive and positive manner they will make this new opportunity succeed. So I would like to have your reaction to the expansion of this committee.

Mr. STOCKMAN. Senator, I am not familiar with the proposal but it seems to me that might well be a constructive idea. What we proposed here is not a one-time action, a final product but a process for bringing about the realignment over a long period of time and there are going to have to be adjustments. There are going to be a lot of difficulty, knotty issues to deal with at each step along the way.

The ACIR has played an enormous catalytic role in bringing us to this stage and enhancement of its size or representation during this period would be helpful, that is something we could consider. There may be other reasons not to do it that you would want to look at, but off the top of my head, I couldn't see why that might not be constructive.

Senator MATTINGLY. Just one last comment. I think what it would probably head off what happened last year, when we referred to making budget cuts rather than slowing the growth of the Federal budget. Thank you.

Chairman ROTH. Mr. Stockman, I want to thank you for your patience and forebearance. I would like to make a couple of points, and I would ask the audience to stay until we complete the hearings, which will be just 2 or 3 minutes. I think there are a couple of observations that are important that we make because they haven't come out, in my judgment. One, that under existing programs there are winners and losers, and we must not forget that that is a fact.

I do think there are two areas, and I would urge you and the administration to take a careful look. One is the time frame. We have already talked about that. Is 1991 adequate, particularly with our problems of the needy and the poor? I think all of us hope there is going to come a time when that is reduced and there are greater numbers sharing in the affluence in this country.

So I think we ought to look at whether the 10-year period, 1991, is adequate.

Second, I go to the suggestion of Senator Rudman, whether that is the right direction or perhaps some kind of a continuance over a longer period of revenue sharing that would flow into both the State and local levels, whether we could answer some of the problems that involve equity and the assurance that these programs for an indefinite period might offer an avenue of hope.

The one thing I want to end these hearings on, and these are only the beginning, I hope as we flush out and continue with negotiations, that you will return. We will also have the Governors and other interested groups before us, but to me for too long Congress has not dealt with long-term problems. We wait until we have a crisis. We wait until we have a serious problem, and then try to correct it, and by the time our action takes place, we have a new problem.

So I congratulate the President, I congratulate the administration, and I especially congratulate you for the resourceful, imaginative thinking that has gone into this plan.

I would just like to say, too, many people in Congress want to do nothing. It is very easy to be critical of any specific plan, but I think the people want action, I think they want long-term perspective and they are indebted to this administration for causing this to be part of the great debate.

Thank you very much, Mr. Stockman.

[Mr. Stockman's prepared statement and responses to written questions submitted by Senators Mathias, Levin, and Roth follow:]

STATEMENT OF DAVID A. STOCKMAN, DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

Mr. Chairman and members of the Committee, I welcome the opportunity to appear before you today to discuss the President's Federalism Initiative. Your Committee is, in my view, the perfect forum for beginning a dialogue with the Congress on the President's landmark proposal.

The Federalism plan reaches beyond narrow questions of the most appropriate means for delivering particular Federal programs. It raises issues about the way in which our Federal system is organized. Your Committee is charged with the responsibility for advising the Senate on these broader issues of governmental structure. The Members of this Committee are particularly knowledgeable about the size of the forest as well as the shape of the trees. In all, I believe it is highly appropriate that we begin here, today, the cooperative consultation that the President seeks with the Congress as a necessary element of his plan to sort out the relative responsibilities of the Federal, State and local governments which, together, comprise the American system of government.

As members of this committee are fully aware, the need to properly sort out Federal and State responsibilities has become increasingly clear to public officials, political scientists and intergovernmental bodies. The salient feature of President Reagan's Federalism Initiative is that it is the first specific and comprehensive plan to deal with the issue that has ever been put on the table with the support of a national Administration. You do not have to approve every detail of the plan to recognize it for what it is—a true attack on the problem itself rather than a chipping away at the edges.

General revenue sharing, despite great hopes for it, left the problem of the growing complexity of Federal grants-in-aid essentially untouched. Block grants mark a great improvement, but they obviously have severe limits. This plans goes to the root of the problem. If it is adopted, within ten years we may have in place a Federal system that at last makes sense.

Let me first, Mr. Chairman, provide a brief description of the plan that President Reagan is proposing. Then I will describe some of the many reasons why a sweeping reform is needed. And finally, I will deal with several early concerns and questions that have been raised about the plan.

THE BASIC FRAMEWORK

The plan has two separate components, though they must be adopted together in order to preserve the over-all balance of the fiscal exchange.

The medicaid public assistance swap

The first component is a straightforward swap, starting in fiscal year 1984, of responsibilities for the nation's three major means-tested programs for our low-income population. The Federal Government would assume full financial responsibility for the fastest-growing of the three—Medicaid—which is now significantly financed by the states (and in a few jurisdictions by the and counties as well).

The States, in their part of the swap, would assume full responsibility for Aid to Families with Dependent Children (AFDC) and food stamps. As you know, AFDC is now financed in roughly equal proportions by the Federal Government and the states, while the food stamp program is administered by the states but wholly financed by the Federal Government.

AFDC, which grew rapidly in the late 1960's and early 1970's, has essentially leveled off in caseload and expenditures. Food stamps had its explosive growth somewhat later, but there is good reason to believe that the food stamp beneficiary population, too, is now stabilizing and that growth of the program, as we move into fiscal year 1984, will be much slower from now on.

We estimate that this first component of the program—the swap—will mean a net financial gain to the states collectively in 1984, the first year, of a little over $2 billion and more in later years because of the projected growth of medicaid. This figure is derived from estimated State Medicaid costs under current law and their current, widely differing benefit structures, together with a projection of Federal AFDC and Food Stamp costs which the states will assume, adjusted for further reforms that we will be proposing in the new budget. Let me emphasize that if, as the actual transfer occurs, the balance of costs is different from what we now assume—because, for example, Congress has not enacted all the reforms we propose—an adjustment can and will be readily made through the other component of the program, the trust fund.

A final point on the swap. While the States collectively are net gainers, the balance differs markedly as among the individual states. Broadly speaking, those with liberal Medicaid programs gain the most. Those with more modest Medicaid and AFDC programs, but with a large Food Stamp population, would have insufficient Medicaid savings to finance public assistance benefits from this source alone. But as I shall explain, these individual differences will be evened out through the trust fund allocations so that, for the program as a whole, each State will come out essentially even.

The federalism trust fund

The other component of the plan comprises the new trust fund and the gradual turn back to the states of some 40 categorical programs. Starting in 1984 the Federal government would set aside receipts from excise taxes and a portion of the receipts from the oil windfall profits tax, totaling $28 billion, for a trust fund that would in practice belong to the states. For the years 1984–87, which we call Phase One, the States can use their trust fund allocation in either of two ways.

If they want to continue to participate in the designated Federal categorical programs in transportation, education and training, social services, and community development, they will continue to receive their normal share of these programs and will use their trust fund money to reimburse the Federal agency concerned. Alternatively, if they choose—under their own consititutional procedures—to opt out of one or more Federal programs, then that portion of their trust fund will be theirs to use for any lawful purpose through what amounts to super revenue sharing.

After 1987, the plan envisions that the 40-odd Federal programs cease to exist. The trust fund, which by then goes to the States entirely in the form of super revenue sharing, would phase out over four years and end in 1991. This would occur as the Federal excise taxes are reduced by 25 percent each year and the oil windfall profits tax terminates on its own schedule. This timetable gives the states nearly ten years to adapt their own spending priorities and revenue sources. I would note, Mr. Chairman, that if our national economy simply resumes its normal growth, the revenue base of every state will be far larger in 1991 than it is today.

As we envision the plan, during the Phase One period there will be a mandatory full pass-through to local governments when states opt out of programs such as mass transit and communtiy development block grants where the funds now go directly from Washington to cities and towns. There would be a 15 percent pass-through for other programs except education, which is a special case in that schools are normally not financed by local governments but rather by separate school districts.

The determination of each State's share of the trust fund starts with its share of the underlying turnback programs in a base period; we have used the period 1979-81. Then this share is adjusted up or down to offset that State's gain or loss from the Medicaid-AFDC-Food Stamp swap. Thus for some States the trust fund allocation will be greater than its share of the turn back programs and for others it will be less.

You can see, Mr. Chairman, what a flexible instrument we have in the trust fund. It can be used to attain an absolutely zero balance for each State—no gain or loss from the program as a whole—that can be accomplished. Other formulas are possible, though a major principle will be that there should not be winners or losers. The total trust fund, and its dedicated revenues, can also be adjusted up or down—within reasonable limits—to accomodate more or fewer turnback programs. And the fund, or each State's share, can be adjusted if the costs and gains from the swap elements turn out to be different from what we have initially estimated—for example, if Congress does not enact all the AFDC or Food Stamp reforms that we have proposed.

This flexibility should demonstrate to the Committee, and to the governors and mayors, that we mean what we say when we offer to negotiate the details of the plan. The framework plan permits precisely this kind of negotiation. However, I believe that the framework itself should not be changed in any fundamental way. It provides the only method that we can currently envisage for achieving the basic sorting out of Federal and State responsibilities that we all seek, without imposing intolerable fiscal burdens on either side.

I would next like to turn to the nature of the problem we are trying to solve with this plan and to explain why reform is so urgently sought by all concerned.

WHY THE PROGRAM IS NEEDED

One of the best statements of the need for such major reordering of responsibilities I have found is in the remarks of the distinguished Chairman of this Committee. As Senator Roth pointed out over a year ago, "we no longer have the luxury of doing business as usual, for our Federal system is experiencing serious pressures which have been allowed to build for far too long." A few months later he explained:

"In the period since the great depression, and particularly in the last 20 years, we have seen massive changes in the nature of American Federalism. During this time we have moved from a Dual Federalism, where State and Federal government responsibilities were generally well defined and separate, through a stage of Cooperative Federalism, where some functions were shared, to our contemporary system which I chose to call Fragmentsed Federalism."

The "Fragmented Federalism" identified by the Chairman has been distinguished by four fundamental attributes, each of which has crippled the ability of government at all levels to govern efficietly and responsively.

Decision overload at the Federal level

First, under the strain of its own growth, decisionmaking in Washington has broken down. As Senator Roth has pointed out:

"The Congress has expanded the role of the federal government to cover so many matters that the really important national priorities, for example defense, foreign policy and national economic issues, receive less attention than they deserve. Federal managers can hardly be expected to efficiently administer a federal establishment that does everything from patching pot holes to launching space craft."

The tendency of the Federal Government to undertake even more projects—albeit poorly—undermines its ability to perform its essential responsibilities thoughtfully or well. For example, from the 88th to the 95th Congress, the number of roll call votes in the House of Repressntatives rose from 232 to 1540, and the number of committee and subcommittee meetings rose from 3596 to 6771. The pattern is thus clear and jeopardizes the very democratic process itself:

1. Unelected staffs rather than elected representatives often determine policy;
2. Elected representatives often have little time to adequately consider policy issues; and
3. Policy determinations often do not take place at decisional levels permitting public scrutiny.

Much of this decisional overload is attributable to Federal grant-in-aid programs to states and localities. Federal dicisionmakers at both ends of Pennsylvania Avenue spend 50 percent of their time on these programs, which represent only 10 percent of the budget.

Overlapping jurisdictions

Second, the formerly clear Constitutional division of authority between Federal and State governments has been displaced by jurisdictional overlap and confusion of roles. The States, which once were sovereign entities with genuine governing authority over matters of the most vital interest to their citizens have increasingly been used to implement Federal programs, with Federal money, under Federal control, to accomplish Federal objectives. To an alarming degree, the States have been reduced to mere administrative units of the Federal Government. Administrative responsibility has been separated from political control, and in the process, the public has lost any sense that it knows which of its leaders are responsible: whom to praise, or whom to blame.

The confusion of State and federal roles—and here I am drawing from Senator Roth's address last April to the national Conference of State Legislators—has led to the following consequences:

The very real distinctions between Federal and state matters existing in the early 60's have been lost;

State budgets have become ever more fiscally dependent on grant revenues;

State programs are heavily involved in intergovernmental fiscal transfers, conditions, and court orders;

State regulatory processes are circumscribed by federal statutory and court sanction constraints:

State governments have been "used" to implement wholly national policies; and

The Federal Government has been "used" to further what not long ago would have been thought a wholly local, or, at best a state concern.

Conflicting incentives

Third, without any clear principle for distinguishing Federal from State responsibilities and with all levels of government responsible in some way for most programs, Federal, State and local government have increasingly engaged in competitive efforts to leave with the other the most expensive and politically unpopular responsibilities. We are determined to break this pattern, and have taken a major step by proposing that the Federal Government assume full responsibility for one of the most expensive and rapidly growing of national programs: medicaid. Under the plan, the Federal Government also retains and assumes primary responsibility for health and income maintenance for our elderly population—its fastest growing segment. Certainty of funding is also provided, in contrast to past, crazy-quilt patterns of increases and decreases in Federal funding—a circumstance that has made a nighmare of State fiscal planning.

Special interest domination of debate

Fourth, today's system of "Fragmented Federalism" has eroded public confidence in government. The so-called "iron triangle" of executive branch bureaucracies, Congressional committee staffs, and interest groups has thrived on the expansion of federal authority through the grant-in-aid process. Lobbyists have flocked to Washington, where they now constitute the District's third largest industry, with an annual budget of $4 billion. Perhaps most poignantly, the once-sovereign States now find themselves merely one leg of that "iron triangle," competing with the other lobbyists for Federal attention. Mayors and governors spend increasing portions of their time not running their respective cities or States or meeting with their constituents, but traveling to Washington to meet with Federal executive or legislative branch officials.

The vice runs still deeper than mayoral and gubernatorial time consumed in Washington, however. For the reality today is that mayors and governors are often judged by the voters less on the basis of their performance at home than on their success in attracting Federal grant monies. The current system has so distorted judgments about political merit that grantsmen, not statesmen, often come out on top.

The profound changes in the States

The redirection of national authority and power proposed in the President's plan would have been unthinkable had not the States, individually and collectively, established a remarkable record for fair, representative, efficient, and responsive government. As the Advisory Commission on Intergovernmental Relations has concluded:

"A largely unnoticed revolution has occurred in state government. The states have been transformed to a remarkable degree. The decades of the 1960's and 1970's witnessed changes in state government unparalleled since the post-Reconstruction period a century ago, generally in the direction advocated by reformers for 50 years."

The evidence of increasing State ability to assume responsibilities under the Federalism initiative is impressive and undeniable. Twenty years ago, all but five State legislatures were badly malapportioned. Now, every State has apportioned its legislature on the basis of one person, one vote. During the same period, the participation of racial and ethnic minorities in the electoral process has dramatically increased. Between 1960 and 1980, black voter registration in the 11 Southern states rose from 29.1 percent of the voting age population to 59.8 percent. Moreover, while a quarter of a century ago many states were ruled by one political party, without effective opposition; today one-party states are a phenomenon of the past. Since 1968, no single party has held a monopoly on Senatorial and gubernatorial positions in any State.

Concern has been expressed about the willingness and ability of the states to take care of disadvantaged Americans. On this point, we should recognize that there are cliches and there are realities, and one reality is that the same electorate which chooses Senators and Congressmen also elects governors, mayors, and legislators. There is no reason to believe that in the year 1982 the American people have two minds, two hearts, and two agenda regarding the responsibility of government to meet genuine social needs. Every indication is that citizen participation at the State and local levels on behalf of such causes as the environment, ethnic and racial minorities, the disadvantaged, tax reform, the handicapped, and electoral reform has grown significantly in vigor and sophistication since the mid-60s.

The financial ability of the States to provide fairly for the needs of the disadvantaged is also much stronger now than it was 20 years ago. State revenue sources have become significantly more diversified and resilient. Thirty-six states now have a corporate and personal income tax, as well as a general sales tax, compared to only 19 in 1960. Past regional differences in wealth have narrowed dramatically. As an example, every State in the Southeast has experienced growth in per capita income since 1970 at a rate exceeding the national average.

I believe that many objections to the Federalism initiative do not relate to the unarguable reality of present State leadership and competence. Much opposition comes, understandably, from those who have invested their political and career capital in Washington relationships—from persons and groups who have spent years getting to know key Congressional staff aides, who alone are aware of the ins and outs of important federal bureaucracies, who have access to national media. In short, much opposition to the President's initiative may come from those who have furrowed deep ruts which channel and determine decisions in this company town. Of course, those ruts have become our national rut. Return of decision making to

States and localities will not deprive interested parties of democratic access or the capacity to influence political outcomes. Rather, it will cause programs to be judged, not by slogans that play well in Washington or by persons with long-vested interests in given outcomes, but by those people in the best position to judge their real value.

STATE FISCAL CAPACITY

The grants-in-aid system has not worked well, and has in fact frustrated the ability of States and localities to efficiently provide needed services. The continuing tie to Federal financing has demanded, in the name of program and fiscal accountability, that grantees be buried under a blizzard of cumbersome and often conflicting requirements that, taken together, greatly reduce the capacity of our partners in the Federal system to adequately meet the needs of their citizens.

The clear answer to this dilemma is to break the tie that binds other units of government to Federal tax sources, and to provide a means whereby States and other units of government are able to meet pressing local needs out of locally-generated revenues, under locally generated standards of accountability.

This is the central facet of the President's Federalism plan. By providing a nearly ten-year-long transition for turnback of programs and revenue sources to the States, the plan holds out the promise that each state can adopt procedures and practices that satisfy its own citizens that tax resources are being used wisely, well, and not excessively.

During the eight-year transition that the President has proposed, States will be offered three distinct methods of financing the new responsibilities they are being asked to undertake.

Medicaid savings

First, by proposing that the Federal government take over the costs of the Medicaid program, the President is offering the States more than a one-time program savings. The Federalism plan instead ensures that, in future years, States will be free of what would otherwise constitute an ever-growing drain on their own general revenue resources.

In the first year of the transition, fiscal year 1984, we estimate that the savings to the States, taken together, will be at least $19.1 billion. By 1987, however, we estimate that the savings would rise to at least $25.4 billion. And by 1991, the end of the transition period, even the most conservative economic assumptions indicate that, in the absence of the President's plan, States would be shouldering a burden of at least $38 billion annually.

These dynamically growing state savings are a major source of revenues that would be freed up to finance many of the responsibilities that the States are being asked to undertake in the Federalism proposal.

Federalism trust fund

As I indicated earlier, the second major financing element of the transition period is the Federalism Trust Fund, which would earmark existing Federal tax resources for use by the States. The total amount of the Trust Fund is designed, in the aggregate, to add to the resources made available to the States by the Federalization of Medicaid costs so as to insure that the States, as a whole, are held harmless for the transfer of programs. In fiscal year 1984, this $28 billion Trust Fund, when added to the resources freed up under the Medicaid swap, will provide the states with an estimated $47.1 billion in total resources with which to finance the estimated $46.1 billion in programs proposed for transfer to the States. This combined amount of total resources turned back to the States would reach an estimated $53.4 billion in fiscal year 1987—an amount $4.6 billion higher than the estimated $48.8 billion in program costs that the States would incur by that year.

As noted earlier, during the fiscal year 1984–87 period, Trust Fund allocations will be adjusted annually to ensure that each State receives an absolute match between the program costs it assumes and the total funds made available by the Federalism program.

The return of tax bases

In Phase II of the President's plan, each State will be able to pick up the earmarked Federal excise tax sources as own-source revenues, if they desire.

During this four-year period, the Federal excise taxes and the Trust Fund itself will be phased out, declining 25 percent in each year. Over those four years, rising State Medicaid savings will, as the following chart shows, largely offset the phaseout of the Crude Oil Windfall Profits Tax, which expires in Fiscal Year 1990.

Because of rising State Medicaid savings, as indicated on the chart, States need not raise revenues, in the aggregate, to completely offset the original $28 billion Trust Fund level. In fact, by 1991, extremely conservative estimates of total State Medicaid savings indicate that the States needn't elect to pick up even half of this amount, should they desire to maintain the budgeted level of programs originally turned back in Phase I.

ASSURANCES THAT BASIC NEEDS WILL BE MET

Despite the evidence that States and localities are inherently capable of operating these programs—and despite the commitment that the President has made that States will be provided the revenue resources necessary to finance them—a concern remains about how the States will discharge the responsibility to design and administer cash welfare programs.

In recent commentary, this concern has taken two forms. First, critics have noted existing variations among States in the level of cash welfare payments, calling into question the essential compassion of many of our State Governments and their willingness to maintain adequate cash assistance programs in the absence of prescriptive federal mandates.

Second, much hue and cry has attended the observation that, should increased flexibility result in increasing disparities in assistance payments levels, mass migrations of the poor from low-benefit states to high-benefit states would surely ensue.

The evidence available suggests that we should reject both of these assumptions about the consequences of the Federalism plan.

The first assertion—that certain states have little interest in social welfare programs—simply fails to hold water. Consider the question of own-source state tax effort, and the willingness to commit own-source revenues to social welfare spending. When per capita income disparities are set aside, many of the Southern States, which often bear the brunt of this sort of criticism, can be seen to be willing to raise and spend significant resources for social programs. As long ago as 1977, for example, the State of Illinois, a typical Frostbelt state, spent 9.6 percent of State per capita income for education, public welfare and health programs. During the same year, the State of Alabama spent 11.2 percent—a 17 percent greater tax effort—on these same categories of expenditures.

Despite this sort of evidence, critics of permitting state flexibility to design human resources programs point to wide disparities in cash welfare payments by state. Mississippi, for example, has a cash assistance standard for a family of four that reaches only 23 percent of state per capita income, while Massachusetts provides benefits for a similar family equal to 55 percent of state per capita income. When the value of Food Stamps is factored in, however, much of the gap disappears. Combined AFDC and Food Stamp benefits in Mississippi comprise 67 percent of state per capita income, compared to 77 percent in Massachusetts.

Under the President's proposal this relatively level base is the starting point for state acquisition of the program. As the President indicated in his State of the Union message, reasonable safeguards will be provided to insure that families with no other sources of income will not have their benefits reduced below this base level of support, which includes food stamps. There can be no reasonable grounds for the conclusion that what gaps remain will widen over time. On the contrary, the continued trend toward strong economic growth in the Nation's historically lower-income states holds out the promise that, over the transition period the President has outlined, the gaps will narrow even further.

THE "MIGRATION" THREAT IS GROUNDLESS

Based on this understanding, little credence can be given to the prediction that permitting state control of public assistance programs will induce mass migration of the nation's poor to high-benefit states.

The recent record stands in sharp contradiction to this hypothesis. The states in our Nation that are presently growing are not the high-benefit states of the Northern tier, but rather the historically low-benefit States of the South and Southwest. Except in those instances where close geographic proximity to state lines makes migration relatively costless, Americans migrate for jobs, not welfare.

Extensive studies of the in-migrating population in New York City conclusively make this point. Of those immigrants actually eligible for welfare entering the City, less than a quarter even applied. It thus seems unlikely that a state which upgrades its welfare payment standards relative to the Nation as a whole would experience a caseload influx. Following a Rand study if this problem, Julie DaVanzo of Rand testified before the House Select Committee on Population: "The welfare-seeking migrant appears to be a myth."

THE REAL OBJECTION TO STATE FLEXIBILITY

I would like to suggest, Mr. Chairman, that the real antipathy to decentralization of decision-making in our nation's welfare system lies in the fact that the President's proposal would put an end to any hope, at least within this century, to the grand redistributionist dreams of the guaranteed annual income advocates. By ending Washington's explicit hand on the levers of income leveling, the President has in effect proposed that the Federal government hereinafter abstain from large-scale income equalization.

I am convinced, Mr. Chairman, that the vast majority of the American people are supportive of this stance. I am equally convinced, Mr. Chairman, that a determined minority will continue to use any argument, no matter how specious, to frustrate the achievement of this goal.

PICKING UP THE FULL COST OF MEDICAID

A central element of the President's proposal, as I indicated previously, is for the Federal government to take on the responsibility for fully funding the Medicaid program.

I do not come before you this morning with a detailed blueprint on how the Administration proposes to assume this responsibility. The complexity and degree of variation among states in Medicaid eligibility, benefit coverages and payment standards are of a different order of magnitude than the simple financial variations between states in public assistance programs. We intend to flesh out our proposal for the assumption of Medicaid costs only after full, detailed consultations with those States—and in certain instances, localities—which operate the program as it stands today.

For this reason, Mr. Chairman, I am unable to provide the Committee with an exhaustive treatment of the Administration's intentions for Medicaid at this time. I assure you, however, that the Administration will be pleased and eager to appear before your Committee again in the near future when we are able to provide you with the sort of detail you need to evaluate this facet of the President's initiatives. In the interim, however, there is one general point which I believe it important to stress.

First, the enthusiasm of State Governments for this aspect of the President's proposal forms a signal recognition of the problems plaguing our Nation's health care financing system as we enter the 1980's. Over the last four years, costs in this program have risen at a rate averaging nearly seven percent over and above the rate of inflation in the economy as a whole. As the projections of potential state savings due to the Federal takeover of medicaid costs attest, no significant relief is in sight absent strong measures to reverse this trend.

The Administration will soon be transmitting for the consideration of the Congress a proposal which will address this problem head on. In addition to the interim cost-control measures that will be proposed in the fiscal year 1983 budget next week, the Administration has been considering proposals which will restore powerful incentives toward cost-consciousness for all participants in the market for health care services.

Many of the initiatives under consideration for general health care cost deceleration can appropriately be applied to the Medicaid program without diminishing access to quality health care for the Nation's low income Americans. Replacing a runaway Federal/State program with a runaway fully-Federalized program would not only exacerbate the Federal Government's severe budget problems, but also diminish our chance to make affordable health care available to our neediest citizens.

THE NEED FOR FURTHER CONSULTATIONS

In closing, let me restate our commitment—and strong desire—to appear before your Committee again to discuss key aspects of the President's plan in more detail as the framework the President has proposed is filled in and strengthened. The President's Federalism plan provides an historic opportunity for the Administration and the Congress to work together with government at all levels to shape the groundwork for the evolution of our Federal system for many decades to come. The case for expeditious forward movement is strong. Yet a change of this magnitude demands due deliberation and careful analysis as we move forward together.

I hope that the Members of this Committee, and your colleagues throughout the Congress, will feel free to maintain close contact with the Administration as we take each careful step. As a beginning of that dialogue, I would welcome any questions that Members might have.

OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., March 5, 1982.

Hon. WILLIAM V. ROTH, Jr.,
Chairman, Committee on Governmental Affairs,
U.S. Senate, Washington, D.C.

DEAR BILL: I want to express my appreciation for the opportunity to present the President's Federalism Initiative to you and the Governmental Affairs Committee. I believe we have begun a constructive dialogue and I am looking forward to future discussions on this subject with your Committee.

The President has set out the basic framework for his bold and imaginative intergovernmental initiative. As he stated in his State of the Union address, the full details of his proposal will be worked out only after close consultation with congressional, state, and local officials. We have begun that process with Congress and are continuing it with various state and local officials. We expect that there will be beneficial give and take on the details while preserving the basic framework of the proposal.

I have enclosed answers to the questions submitted by you and Senators Mathias and Levin. Several of the questions ask for or assume a level of program detail that has not been developed at this time. We have given you our initial thoughts in those areas, but I would like to reemphasize that the final details will result only from the consultation and negotiation process. On specific data requests, we have provided the information, the source of the information, or we have indicated that the information will be provided when available.

The President has put forth a proposal which I believe will significantly improve the present intergovernmental system, with benefits for all levels of government. I hope we can agree on the basic framework and cooperatively develop the final program design.

Sincerely,

DAVID A. STOCKMAN, *Director.*

Enclosure.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY SENATOR MATHIAS

Question 1. What maintenance of effort requirements will the legislation include to assure minimum national standards for AFDC and food stamp benefits?

Answer. A definitive answer to this question is not available at present since States need to be consulted in the formulation of an appropriate proposal. A variety of options is under review which would implement the President's promise for a "flexible maintenance of benefits" provision in State-run assistance programs under the "swap" proposal.

For the transition period, possible options could include simple maintenance of aggregate spending on AFDC and food stamps, with complete flexibility to redesign program structure, or could prescribe additional requirements regarding eligibility, benefits levels, etc. The "swap" proposal's objective, however, is to assure that states respond appropriately to the needs of truly dependent persons without burdening the States with a complex of Federal requirements that does not permit them to operate efficient programs well targeted on the needy.

Question 2. Under the medicaid proposal, will the States be required to maintain services to the State-only categories? Will States be required to supplement the federalized medicaid program if it is not as comprehensive as the present State medicaid program? Will the States have to maintain a State-only medicaid program administered separately but in parallel with the new federalized system?

Answer. We have not yet addressed these questions in detail. We are currently studying the issue of benefit levels under a program of Federal financing of medicaid. We are open to suggestions on these specific questions.

Question 3. The current medicaid program offers options to the States, includng a "medically indigent" provision as well as certain other optional services. The Federal Government participates in funding these options for federally eligible categories of recipients. Will the proposal federalize these optional services, and if so, how will interstate inequities be addressed?

Answer. We are currently studying the degree to which optional services and optional beneficiaries should be included in a federally financed medicaid program. This question is intimately related to the question of the extent to which medicaid should be a uniform program and the extent to which existing State differences should be recognized. For the medically indigent who are not categorically eligible, there may not be uniform income eligibility because of differences across the country in cost of living and per capita incomes. Any suggestions you have on resolving these questions would be welcome.

Question 4. In Maryland, a hospital cost review commission has ratesetting authority for a variety of medical institutions, including nursing homes and hospitals. The Health Services Cost Review Commission has achieved an exemplary record of controlling hospital cost inflation and maintaining access of the poor to mainstream medicine because the commission can establish equal rates for all third party reimbursement programs, including medicare and medicaid. The New Federalism proposal gives no indication about the future of this arrangement. Nor does it indicate how the Federal Government will regulate nursing home rates, an area of special concern to Maryland as evidenced in the proposals for a new nursing home reimbursement system. How will the proposal affect States with qualified cost review programs?

Answer. We have not yet developed our proposal in enough detail to answer this question. Cost control in a federally financed medicaid program is a key issue. Our preferred approach to health care cost control is to seek market solutions where possible. One key objective is coordination of medicaid program reform with more general reform of the health care financing system. Federal financing of medicaid would not, in principle, of course, preclude medicaid participation in systems like Maryland's.

Question 5. According to OMB estimates for fiscal year 1984, Maryland will gain $59 million in the AFDC food stamp/medicaid swap. However, preliminary Maryland estimates indicate that the State will lose $20 million in the exchange. How has OMB arrived at its estimate?

Answer. Described below are the assumptions and methods used by OMB in making preliminary estimates of the effect on each State of the medicaid-public assistance swap:

The preliminary estimates of fiscal year 1984 swap effects on the States are based on historical data, estimates made by States and fiscal year 1983 budget totals. They cover the 50 States and the District of Columbia. AFDC and food stamp estimates are for Federal costs, which the State would assume under the swap proposal. Medicaid estimates are for State costs, which the Federal Government would assume under the swap. Estimates are based on the most recent data available in January 1982, and are subject to change as later data become available.

AFDC

The AFDC estimates reflect the proposals in the fiscal year 1983 budget recently transmitted to the Congress by the administration. For each State, four separate estimates as follows were made and then totaled:

The Federal share of AFDC benefit expenditures.

The portion of the proposed combined welfare administration fund (CWAF) attributable to AFDC.

The Federal share of child support enforcement (CSE) administration expenditures.

The Federal savings due to child support collections.

The Federal share of AFDC benefit expenditures in fiscal year 1984 was estimated for each State as follows: for each State the fiscal year 1984 Federal share of benefits was projected by a nonlinear (Box-Jenkins) technique based on actual benefits for the fiscal years 1978-81. From these projections the State distribution was calculated and applied to the fiscal year 1984 program level in the fiscal year 1983 budget.

The portion of CWAF in fiscal year 1984 attributable to AFDC was estimated for each State from the Federal share of AFDC administration and training for fiscal year 1982.

The Federal share of CSE administrative expenditures in fiscal year 1984 was estimated for each State by applying the State distributions estimated for fiscal year 1982 to the fiscal year 1984 program level in the fiscal year 1983 budget.

The Federal savings due to child support collections in fiscal year 1984 were estimated for each State by applying the State distribution estimated for fiscal year 1982 to the 1984 program level in the fiscal year 1983 budget.

FOOD STAMPS

The food stamp estimates reflect the proposals in the fiscal year 1983 budget recently transmitted to the Congress by the administration. For each State three estimates were made and then totaled:

The total food stamp bonus (benefits).

The portion of the proposed CWAF attributable to food stamps.

The Federal savings associated with the 2 percent error rate target proposed for fiscal year 1984 in the administration's fiscal year 1983 budget.

The food stamp bonus in fiscal year 1984 was estimated for each State by applying the State distribution of actual benefits in the two post "elimination of purchase requirement" years 1980 and 1981 to the fiscal year 1984 program level (before adjustments for error reduction) in the fiscal year 1983 budget.

The portion of CWAF fiscal year 1984 attributable to food stamps was estimated for each State from the Federal share of food stamp administration and training for fiscal year 1982 as estimated from actual fiscal year 1980 and fiscal year 1981 expenditure levels.

The Federal savings in fiscal year 1984 from the lower error-tolerance levels were estimated for each State by applying the State distribution of errors in excess of the tolerance in the first half of fiscal year 1981 (the latest State data on erroneous payments) to the fiscal year 1984 savings in the fiscal year 1983 budget.

MEDICAID

The medicaid estimates reflect current law. For each State, two estimates were made and then totaled:

The State share of medicaid benefit expenditures under current law including reconciliation provisions which changed the medicaid matching rate.

The State share of administration and training expenditures.

The State share of medicaid benefit expenditures in fiscal year 1984 was estimated for each State from the fiscal year 1983 estimates reported to HHS in November 1981 by each State.[1] The estimates received in November 1981 did not reflect the recently enacted changes in matching rates, and the estimates were adjusted for these changes based on Health Care Financing Administration staff estimates. For each State, the average annual growth rate from fiscal year 1981 to the adjusted fiscal year 1983 level was applied to the States adjusted fiscal year 1983 estimate to derive a fiscal year 1984 figure. From these projections, the States distribution was calculated and applied to the fiscal year 1984 figure. From these projections, the State distribution was calculated and applied to the fiscal year 1984 program level under current law in the fiscal year 1983 budget.

The State share of medicaid administration and training in fiscal year 1984 was estimated for each State by applying the State distribution for the 2 years 1981 and 1982 (in the November reports) to the fiscal year 1984 program level under current law in the fiscal year 1983 budget.

RESPONSES TO WRITTEN QUESTIONS SUBMITTED BY SENATOR LEVIN

Question. 1. It has been suggested that if the Federal grants system is to have a smaller role, then its most critical purpose is equalization of fiscal conditions across the country. The Federal Government could then spend less by concentrating our resources on those people and places that are determined to be most in need. The concept then is that if there is indeed a safety net that it ought to be reinforced in those places where the burden is the heaviest and the net is most strained.

In the shaping of your original block grant proposal, Mr. Harper of the OMB testified before Senator Durenberger's Subcommittee on Intergovernmental Relations that the Federal allocation formulas on which that proposal was based were inaccurate, inequitable, and inconsistent. But, according to Mr. Harper, the block grant proposal was pushed with such haste that reviewing the allocation formulas would delay the proposal so you opted instead to base that proposal on the existing allocation basis for fiscal year 1981.

I was surprised to see that the President's new proposal again relies on these inaccurate, inequitable, and inconsistent formulas to allocate monies to the States from the "Federalism trust fund." At the same time, the administration has stated that the trust fund would "hold the States harmless" from financial loss. What specific changes will be made to insure that States which are harmed and treated unfairly under existing Federal allocation formulas will not be harmed further, and in fact, will be brought up to an equal national level of benefits in the transferred programs?

---

[1] These reports (the HCFA-25's) contained each State's best estimate at that time of total and Federal medicaid expenditures for 1981, 1982, and 1983, and they are the basis for the administration's budget estimates.

What work on revising Federal allocation formulas have you underway and how will that work be incorporated into the way this trust fund will operate?

What is your opinion generally on alternatives to the current formulas which would rely on more than per capita income, but which would include other tax bases, including mineral resources and other State income, as well as factoring in unemployment and the loss of State tax revenues? Are you considering ways of allocating the trust fund which would rely principally on factors other than per capita income?

Answer. We believe the allocation from the trust fund under our proposal will be on a fair and equitable basis. Each State will receive from the trust fund an amount which is proportional to the amount it received from all the turnback programs during the years 1979, 1980, and 1981 (adjusted by the swap outcome). The fiscal year 1979-81 base provides the most current actuals. It reflects the will of the Congress and reflects levels before the administration's proposed reductions in the fiscal year 1982 and fiscal year 1983 budgets. Three years are used instead of 1 year to reduce the effects of any large changes or anomalies during any one year.

The hold harmless nature of the trust fund arises from the provision of the administration's proposal whereby the initial trust fund allocation for each State will be adjusted up or down depending upon whether the State gains or loses in the medicaid/AFDC, food stamp swap. The result is that no state gains or loses under the total program; that is, swap and turnback. Again, we believe this is a fair and equitable approach.

We have no plans to modify the proposed method of allocating the trust fund moneys, though the entire proposal is, of course, open to negotiation and discussion. In terms of a review of allocation formulas in general and appropriate measures to use in the allocation of funds, that is a continuing responsibility. All the measures you mention are appropriate for consideration. The particular use of any measure will depend on the objectives of the individual program, the availability and currency of the data and other such factors.

Question 2. The President's proposal promises a "clean separation of domestic welfare responsibilities". Why then were AFDC and food stamps shifted to the States when all other Federal income security programs were maintained at the national level? What was the specific rationale? Why the artificial distinction between social security, disability, SSI and other assistance to the needy? If these income maintenance and crucial needs programs are the core of the national safety net, why doesn't the President support a national minimal standard to insure that citizens in all States have equal access to needed services?

Answer. First, the premise of the statement that all other Federal income security programs were maintained at the national level is incorrect. The programs in the turnback proposal include several income security programs: the social services block grant, the community services block grant, child welfare, adoption assistance, foster care, child nutrition, and others.

The proposal to swap medicaid for AFDC and Food Stamps was made under the premise that the Federal Government will retain and in some cases assume responsibility for the most dramatically increasing social needs. Under the plan, the Federal Government will be responsible for health and income maintenance programs for the elderly, including social security, and health care for the poor of all ages. The States will assume responsibility for domestic needs that are growing much less rapidly, have in most cases historically been a State and local function, and which even now are administered and largely financed by the States despite the proliferation of Federal grants.

Health care has been the most rapidly rising expense for both the private sector and government. Medicare and the Federal/State cost of medicaid increased even more drastically, an average of 16 percent per year between 1975 and 1980, 21 percent in 1981 alone. The country's proportion of persons above age 65 will increase by over 25 percent between 1970 and 1990. Under social insurance and other programs this growth in the elderly population has produced and will continue to produce rapid growth of Government outlays.

Under current law, the total funding for AFDC and food stamps is projected to increase only about 10 percent by 1987, compared with a projected 83 percent increase in the total cost of medicaid in the same period.

In summary, the Federal Government is assuming full responsibility for the elderly, and health care and disability support for persons of all ages.

The States are basically free to administer the swapped programs. We feel that States can more effectively design, target, and run income maintenance programs, because of their familiarity with local causes/sources of unemployment and poverty. In addition, when States are responsible for the programs, their incentive to manage programs effectively and reduce fraud and waste is enhanced.

Question 3. If the Medicaid program were turned over to the Federal Government, what plans have you for its future? Will you propose, as you have in the past, that Medicaid be turned over to the competitive health care system with vouchers for the poor?

Answer. The shape of the proposed Medicaid program is in the preliminary stages of development. We are just beginning our process of consultation with States and others. As a result, it is difficult to answer your question in detail at this time. In general, we want a federally financed Medicaid program to achieve at least the following objectives:

More efficient and effective delivery of needed services;

Reduction in waste, fraud and abuse;

Better targeting of resources on those most in need;

Coordination of Medicaid program reform with more general reforms of the overall health care financing system, so that the current excessive rate of inflation in health care costs is reduced.

A voucher system is one option which we will consider.

Question 4. I agree that the needs to be a sorting out of Federal and State responsibilities, and that there is a need for reform in the current categorical grant program. I would offer a proposal and ask you to consider it carefully as the details of your plan are shaped: Why not, on an experimental and voluntary basis, allow States to volunteer to assume specific categorical grants at current Federal funding levels, give the States the flexibility to administer them freely, with Federal monitoring of how well the programs work. I say let's try that or a similar approach for a year or two before mandating that States assume the entire responsibility, and before the Federal government, in one single radical stroke, abrogates all responsibility in these areas. A slower, more conservative approach would allow us time to assess the effects of such a shift not only on the States, but on the lives of the people who ultimately bear its impact.

What is your opinion of this proposal?

Answer. The administration's proposal contains a phase-in provision which we believe addresses the "slower more conservative approach" suggested in your proposed alternative. During the transition period of fiscal year 1984 to fiscal year 1987, a State may elect to retain any or all of the federal programs contained in the turnback. The programs would be administered, as today subject to Federal rules and procedures. This will allow each State to assume the Federal programs at a pace which it believes it can best take on its new responsibility. In addition, we feel that the block grants are a good "test case." They provide the States the type of program and administrative responsibility and flexibility to prepare them more than adequately to assume the turnback programs.

Finally, we do not believe the Federalism Initiative should be conducted on a pilot or experimental basis. The issue of sorting out federal, state, and local roles and responsibilities has been intensively discussed and debated over the past several years. We believe it is now time to consider a specific proposal. The reaction we have received from the states supports this position.

Question 5. You have said that once the trust fund phases out, any money States lose by not being able to raise money through the windfall profit tax will be made up through the Medicaid/food stamps AFDC swap. If your economic assumptions prove wrong, that is, unemployment and the costs of AFDC and food stamps rise and a lower inflation rate brings down the cost of Medicaid, who bears the risk of your assumptions? If unemployment increases, how will your proposal be revised to reflect this change in the economy? If States end up paying much more for AFDC and food stamps than you predict as a result of rising unemployment, how then will a financially equal swap be maintained? What do you plan to do to help the States if your assumptions prove wrong, and States are unable to assume any of the costs of the 43 "turnback" programs?

Answer. The estimates we have made of the growing wedge of State savings from the Medicaid/public assistance swap are based on the best data we have available and the economic assumptions underlying them are reasonable and supportable. The estimates reflect past trends and prudent expectations of the future. We are sharing our data base and the assumptions behind them with the National Governors Association and the National Conference of State Legislatures. We expect there will be understanding, if not full agreement, on the data and the assumptions.

Our calculations show that if unemployment and inflation were higher than we estimate, state savings would rise faster than states costs; States would come out better on the swap than we have estimated. This is because Medicaid is more sensitive to economic conditions than are Food Stamps and AFDC. Therefore, under our assumed levels of inflation and unemployment or under a worsening economy, the swap savings plus the return of the federal excise tax base will be a sufficient source for the eventual assumption by the states of the turnback programs.

Question 6. During your testimony, you admitted that with respect to some of the excise taxes going into the trust fund, States may differ in their capacity to raise revenue from similar sources once Federal excise taxes are returned fully to State jurisdiction. Please supply this Committee with a State-by-State breakdown of the differing tax-raising capacities among the States which you referred to in your testimony.

Answer. A State's ability to raise taxes depends on two items:

1. The actual resources it has that are available to tax (i.e., retail sales, mineral production, personal income, etc.).

2. The legal authority it possesses to tax certain resources or to tax and spend generally. This refers to tax and spending limitations which restrict a government's ability to impose or increase taxes.

Regarding your request for State-by-State information on tax capacity, we are currently amassing information from two sources. The first, the Representative Tax System (RTS), measures a State's wealth in 24 different areas as an indicator of its ability to tax. The U.S. Advisory Commission on Intergovernmental Relations has a great deal of data on this approach, which can be made available to you as soon as possible. The second, data on per capita personal income, a more traditional measure of a state's wealth, is currently available from the Bureau of Economic Analysis.

We are also collecting data on legal limitations on States' revenue raising abilities. Preliminary research indicates that 18 states have adopted general limitations on their ability to spend or raise revenue since the "Taxpayers' Revolt" of 1977. These limits augment the more traditional fiscal restraints imposed by states on property tax rates or bases, the major source of local revenue.

Question 7. What domestic programs will the Federal government continue to fund after the trust fund is phased out?

Answer. Since the number of programs contained in the turnback and swap contains only approximately 45 out of the over 360 grant-in-aid programs currently in existence, it is difficult to identify the programs the Federal Government will continue to fund after fiscal year 1991. We believe that sorting out the remaining grant-in-aid programs will be a process that will take place over the years. Certainly we will have to address the issue with each yearly submission of the President's budget. The President's proposal has started a serious discussion about appropriate federal, state, and local roles and responsibilities. As our discussions lead to a final program design and agreement on the Federalism Initiative, we will be in a better position to assess any future grant-in-aid program changes or redirections.

Question 8. The underlying cost assumption in your proposal is that certain program budget cuts will be made by the Congress. If these cuts do not go through as proposed, specifically how will the President's proposal be revised? Can "New Federalism" work without these cuts?

Answer. The President's budget for fiscal year 1983 contains several proposals which would affect the swap and turnback programs. These changes are needed and should be made. If the administration's recommended funding levels for the various programs are not accepted by the Congress, it will affect the costs of the various elements of the proposal but will not affect the basic framework of the proposal. For example, the basic principle of no winners or losers will be maintained and the trust fund level or composition may have to be adjusted to assure that each state is held harmless with respect to the total package.

Question 9. For the 43 domestic programs scheduled to be turned back to the States, please give the committee a State-by-State analysis of how much each State currently receives under each of these programs. As you agreed in your testimony, please also provide a breakdown State by State of the impact of the fiscal year 1982 budget on each State. For your proposed fiscal year 1983 budget, please supply the same information.

Answer. Attachment 1[1] has State-by-State tables showing obligations in 1979, 1980, and 1981 for each program proposed for turnback to the states. Comparable data for 1982 and 1983 would have to be estimated, and it is not possible to make such estimates at this time. In the absence of 1982 appropriation bills for Labor-HHS and State-Justice-Treasury, estimates could not be made without prejudging the outcome of Congressional action. In addition, to provide sound estimates for both 1982 and 1983, we would have to include data on support to be provided to states or entities within them under discretionary authorities, and many of those decisions remain to be made.

---

[1] See p. 80.

We can provide you with illustrative information on funding each State would receive under the Federalism program in 1984. That information is in Attachment 2.[1]

Question 10. You have contended that in financial terms the swap of Medicaid for AFDC and food stamps is an equal one. Focusing instead on the actual level of services the citizens of States currently receive under Medicaid, how will your proposal insure that the level of Medicaid benefits citizens currently receive is maintained? Once the Federal Government assumes the cost of Medicaid, will it standardize the benefits provided by the program? How will that standard be reached? For States where the new standard is lower than what citizens currently receive, how will you assure a continued equal quality of services without increasing the financial contribution of those States (in order to maintain the financial equality of the swap)?

Answer. Let me say, first, that we are determined that the poor will be provided access to needed care under a federally financed Medicaid program. As indicated in my response to a previous question, that is one of the key principles on which Federalism will be developed.

With regard to your detailed questions, we are still at too early a stage of the consultation and development process to provide any definitive answers. Any suggestions you have about how to approach these issues would be welcomed.

Question 11. You have stated that when the States assume a full responsibility for AFDC and food stamps in fiscal year 1984, the Federal Government will impose a flexible maintenance of benefits requirement during the transition phase? How will the level of that requirement be determined? Will any similar requirement exist after the transition period of your proposal? Who at the Federal level will monitor and enforce the minimum requirement, and how will it be done?

Answer. A definitive answer to this question is not available at present since states need to be consulted in the formulation of an appropriate proposal. A variety of options is under review which would implement the President's promise for a "flexible maintenance of benefits" provision in State-run assistance programs under the "swap" proposal.

For the transition period, possible options could include simple maintenance of aggregate spending on AFDC and Food Stamps, with complete flexibility to redesign program structure, or could prescribe additional requirements regarding eligibility, benefits levels, etc. The "swap" proposal's objective, however, is to assure that states respond appropriately to the needs of truly dependent persons without burdening the states with a complex of Federal requirements that does not permit them to operate efficient programs well targeted on the needy. We do not yet know what kind of enforcement mechanism and monitoring will be used. We are open to suggestions.

Question 12. What specific measures against waste, fraud and abuse at the State and local level will you include in your proposal, and who will be responsible at the Federal level for insuring that the monies are spend as they are intended (as it pertains to the 43 domestic programs in the turnback proposal)? Will there be any safeguards for targeting program funds where they are most needed within the States?

Answer. We have not developed a definitive position on this issue. However, one possible approach will be to apply the standards of financial accountability during the period of the trust fund similar to those which have been applied to block grants estabilshed by the Omnibus Budget Reconciliation Act of 1981. Under the block grants, first and primary reliance is placed upon the states to assure financial and program accountability through independent audits, which must be conducted by a financial and compliance entity and conform to standards of the Comptroller General. The GAO and Inspectors Gerneral also retain authority to conduct audits of recipients.

With respect to safeguards for targeting program funds within the States, we would expect that States would be responsible for determining allocation of funds. Under the block grants, states are required to prepare a plan describing how they intend to allocate funds, and subsequently report on how they actually did, and make such reports public. This is intended to provide assurance that the states are held accountable to the citizens of the state in how they utilize funds, rather than to the federal government. Similar provisions may be incorporated in utilization of turnback programs. Again, however, no final decisions have been made on these issues.

---

[1] See p. 132.

Responses to Written Questions Submitted by Senator Roth

Question 1. Last year, 30 States raised their taxes by a combined total of $2.5 billion. That is the highest annual State tax increase in over a decade. Half the States raised their gasoline fuel taxes and many of them raised their alcohol and cigarette taxes. Won't the approach the administration has taken in its New Federalism initiative force the States to raise their excise taxes or substitute other tax increases? How can states be expected to do this when they have already raised their exise taxes?

Answer. Under the Federalism Initiative, the Federal excise taxes on gasoline, cigarettes, alcohol, motor fuels, and telephones will be phased out in Phase II, from 1987-1991. States will be able to impose the same excise taxes at their option to preserve their revenues with no tax-raising effect on the items concerned. In addition, excise tax increases have not kept pace with inflation.

As your question points out, there is nothing in our proposal that precludes the states from determining the appropriate type and amount of state tax needed to support their chosen priority programs.

With regard to your concern that States have already raised excise taxes substantially and will thereby experience difficulty in raising them further, we are currently assessing states' capacity to tax; that is the base of available resources to tax. We will be happy to share this information with you when it becomes available.

Question 2. Is there any estimate as to how much the States might have to raise their taxes as a result of the phase out of the trust fund and the transfer of the 40 Federal programs to the States?

Answer. The design of the Initiative assumes that the Federal Government will return tax sources to the states that, when coupled with Medicaid savings, will enable them to fund these programs at fiscal year 1983 levels. As indicated in meetings with State and local officials, the particular tax sources devoted to the trust fund are certainly an item to be negotiated by Congress, the administration, and state and local governments, as we all work to shape the Initiative.

Question 3. At what rate do you assume that the excise taxes revenue supporting the trust fund will grow? If the growth rate of these tax revenues does not keep pace with inflation, is not the trust fund merely a veiled means of affecting additional budget cuts in grant programs?

Answer. The trust fund is not a veiled means of affecting additional budget cuts in grant programs.

The trust fund and turnback programs are two parts of the three-part Initiative. The third element, the "swap" of Federal assumption of Medicaid in return for State assumption of AFDC and Food Stamps, provides a net savings of $2B for the states in fiscal year 1984. States' allocations under Phase I will be ajusted to reflect: (1) the amount of fiscal year 1983 funding they would have received for the turnback programs, plus or minus (2) the net cost or savings they accrue under the swap. Thus, the problem of "winners and losers" among the states is minimal. Also, the potential problem of inelasticity of excise tax revenues is also addressed. However, composition of trust fund revenues is certainly a negotiable item.

Question 4. Mississippi provides only $96 per month in AFDC payments to the needy. Texas, a wealthy State, has not raised its AFDC benefits for over a decade. Right now, federally funded Food Stamps make up much of the gap for the low payment states, but under the administration's proposal, Food Stamps also would become a state program. Will the program swap eliminate the equalizing effect of the Food Stamp program? Will the poor and the really needy lose what little benefits they receive in some of these states under the administration proposal?

Answer. The swap will not eliminate the equalizing effect of the Food Stamp program. The administration's proposal to swap responsibilities with the States for AFDC and Food Stamps in exchange for Medicaid includes a flexible maintenance of benefits provision for state-run assistance programs during the fiscal year 1984-87 transition period. This provision will insure that welfare recipients will be protected as states assume responsibility for AFDC and Food Stamps.

Question 5. What criteria were used to determine who should receive responsibility in the swap of Medicaid for AFDC and Food Stamps? What beyond dollar equity underpins this particular division of program responsibility?

Answer. See full answer to Levin Question No. 2. In summary, the Federal Government will keep the toughest problems with dramatically increasing costs. The

Federal Government will assume full responsibility for the elderly and health care and disability support for persons of all ages.

Question 6. In your testimony you mentioned a maintenance of effort provision for some of the programs involved in the New Federalism changes. Which programs such maintenance of effort protections cover, and how would these protections be monitored and enforced?

Answer. A definitive answer to his question is not available at present since states need to be consulted in the formulation of an appropriate proposal. A variety of options is under review which would implement the President's promise for a "flexible maintenance of benefits" provision in state-run assistance programs under the "swap" proposal.

For the transition period, possible options could include simple maintenance of aggregate spending on AFDC and Food Stamps, with complete flexibility to redesign program structure, or could prescribe additional requirements regarding eligibility, benefits levels, etc. The "swap" proposal's objective, however, is to assure that states respond appropriately to the needs of truly dependent persons without burdening the states with a complex of federal requirements that does not permit them to operate efficient programs well targeted on the needy. We do not yet know what kind of enforcement mechanism and monitoring will be used. We are open to suggestions.

Question 7. What is the baseline for estimating the cost of the 40 programs to be turned back to state governments? How far below fiscal year 1982 levels are the assumed cuts in these programs being set in order to permit the trust fund to perform its equalizing function?

Answer. The cost of the over 40 programs tentatively proposed for turnback to the States is set at the total funding level for the programs in 1984 reflected in the 1983 budget. This total is $30.2 billion. The funding levels comprising the total were determined independently of the Federalism Initiative and reflect the administration's judgment of appropriate funding levels for those programs in 1984.

As your question indicates, however, adjustments are made to the Federalism trust fund so that no state gains or loses under the total Federalism program. The trust fund total and allocation to each state are adjusted to take into account state gains and losses resulting from the Medicaid-Public Assistance swap. Preliminary OMB estimates indicate that, in total, states would gain $2.6 billion on the swap in 1984, so the trust fund total is set at $27.6 billion. Taking into account the trust fund ($27.6 billion) and the net effect of the swap ($2.6 billion), States thus are provided the financing for the $30.2 billion cost of the turnback programs in 1984.

Question 8. Has the administration determined whether the States already have initiated programs in the 40 some program areas to be turned back?

Answer. The programs we have proposed to turnback to the states are in the areas of: education and training; social, health, and nutrition services; income assistance; transportation; and community development/facilities.

In education and transportation, historical statistics bear out the states' contention that they, with their local partners, have shouldered and can continue to shoulder most of the program responsibility.

In the area of social welfare, according to ACIR, states are assuming an increasingly larger share of state/local welfare costs. However, due to Federal aid, State/local expenditures of the total in this area have declined from 70.7% in 1950 to 50.4% in 1979. Coupling these seemingly conflicting facts, one can conclude that states are assuming more responsibility for programs they once ran with very little federal aid.

The community development and facilities programs we have proposed to be on the turnback list are increasingly shaped and administered by the States due to flexibility afforded them through regulatory simplification Construction grants) or block grants (CDBG).

In general, then, we have identified programs which have been or are now administered by state and local governments. Particularly logical for inclusion on this are the block grants, since states are already setting policy for and running these programs.

Question 9. The Need for welfare programs is largely a function of the national economy. If this premise is accepted, why should not all welfare programs be federalized and the turnback portion of the swap be constituted by the Federal programs which do not represent such broadly national problems?

Answer. See answer to Levin Question No. 2. In addition, the premise that wellfare is largely a function of the national economy is not completely accurate. There is tremendous variation in causes and sources of local unemployment and poverty.

Question 10. Michigan's reliance on the automobile industry and Delaware's reliance on the chemical industry make these States particularly vulnerable to economic conditions damaging their respective primary industries. Should the States assume AFDC and Food Stamp responsibility, what recourse do States such as these have in a time of economic downturn?

Answer. In times of economic downturn, the swap actally help the states because Medicaid costs would increase over those for AFDC and Food Stamps. Senator Durenberger and Governor Snelling have discussed the problem of fiscal and economic disparities among the States with the President. We are gathering information on State fiscal and tax capacity currently and will share it with you when available. Further, the President has indicated some willingness to consider a "Phase III" funding source to address unequal tax/fiscal capacity among the States.

Question 11. In your testimony you mentioned that requirements protecting civil rights will be passed through tc State recipient of the Federal programs. How will these protections be monitored and enforced? Will other cross-cutting grant requirements such as citizen participation and environmental protection requirements be passed back with the programs as well?

Answer. Again, no definitive answer has been developed for this issue. A guide to how it might be addressed is the manner of enforcement under the block grants enacted last year. Responsibility for enforcement and monitoring of civil rights requirements, as with other requirments, rests first with the states which are recipients of the grants. The audit requirements of the block grants become essential elements. States are required to arrange for independent financial and compliance audits which conform to the standards of the Comptroller General, and such audits must be made public. If a State is failing to comply with civil rights requirements, this will surface through this process. In addition, the audit and investigation responsibility of the GAO and Inspectors General are undiminished under the block grants. Specific application of these arrangements to the turnback programs has not yet been determined. However, the foregoing represents an indication of how the civil rights compliance might work. We do not expect that outyear participation requirements would be levied. There is no definite position yet on environmental protection requirements.

No decision has been made concerning the applicability of other crosscutting requirments which are not specifically mandated in the turnback statute.

Question 12. For some time I have been concerned about the increasingly active role the courts play in our governmental decisionmaking process. Will these federalism changes create any new rights to sue the government?

Answer. It clearly is too early to say what, if any, litigation implications may ensue from the turnback programs. However, we see no reason why there would be any new right to sue the government under the turnback program.

Question 13. Are there not some areas of governmental activity where an overlap of Federal and State responsibility is desirable? If so, what are several examples? Will any intergovernmental responsibilities be shared once the New Federalism proposal is put in place?

Answer. There are many programs which are not included in the Federalism Initiative—either in the swap or proposed for turnback—in which there will remain shared responsibility. We are right now in the midst of the negotiation process with the Governors and other state/local representatives to sort out roles—solely federal, more properly state/local, and shared. We are not wedded to the original proposal for programs included in the turnback. A clearer sorting of roles, such as all education programs for turnback, may be more appropriate and acceptable.

Question 14. The program responsibilites to be turned back to the States form a fairly disparate group including formula and project type categorical grants and block grants. What criteria were used in the selection of the 43 programs mentioned as candidates for return to the States? How will project grants, awarded on a discretionary basis be returned to the States?

Answer. The States will assume responsibility for domestic needs that are growing much less rapidly, have in most cases historically been a state and local function, and which even now are administered and largely financed by the states despite the proliferation of federal grants. Particularly logical for inclusion on the list are the block grants since states are already setting policy for and running those programs, according to state priorities and administrative practices.

Regarding the illustrative list, states have proposed that they take primary responsibility for education, transportation, and law enforcement. Of the 124 grant programs cn the list, over 50% are in education/training and transportation.

The base for programs on the list will be the state proportionate share of the aggregate expenditures in the 1979–81 base years. This applies to project grants as well as other types of grants.

Question 15. Will any technical assistance be offered to the States by the Federal Government in order to ensure that the program transition occurs with a minimum of service delivery disruption?

Answer. Again, no specific determination has been made on the operational elements of the turnback programs during the transition. However, we do not anticipate major need for technical assistance to the States. Under the block grants, states have demonstrated remarkable ability to assume the programs on their own, and have not required much in the way of technical assistance from the Federal Government. We will, of course, monitor progress of the States in assuming the turnback programs, and be responsive to their stated needs.

On a related issue, we expect that every effort will be made to provide sufficient and timely information to state and local governments in order that they can plan for and be aware of the turnback program provisions in order to ease their transition problems. This will be oriented more toward providing them sufficient information to permit the recipients to help themselves rather than providing direct technical assistance.

ATTACHMENT I

OBLIGATIONS BY STATE IN FISCAL YEARS 1979, 1980 AND 1981 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST

(Dollars in Thousands)

Data on the computer file as of February 22, 1982.

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Alabama

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	11332	11973	10531	33836
Appalachian Highways	10441	7112	15156	32709
Black Lung Clinics	200	300	90	590
Bridges	3400	7385	20091	30876
CETA	51500	68609	69917	190026
Child Abuse	95	147	144	386
Child Nutrition	90075	102110	106541	298726
Child Welfare	1309	1272	3170	5751
Community Development Block Grant	60958	62842	60694	184494
Community Facility Loans	3976	5837	5820	15633
Community Services Block Grant	7364	7715	7489	22568
Construction Safety	5243	5944	7671	18858
Emergency Assistance	0	0	0	0
Family Planning	3595	3990	3735	11320
Foster Care	1608	1593	1713	4914
General Revenue Sharing (Local Grants)	72621	71457	74054	218132
Grants-In-Aid For Airports	6976	10284	5725	22985
Highway Related Safety Grants	489	489	490	1468
Interstate Transfers - Highways	0	0	0	0
Legal Services	5970	7664	8338	21972
Low Income Home Energy	448	14209	15852	30509
Maternal & Child Health Block Grant	7574	7347	8002	22923
Migrant Health Clinics	0	0	0	0
USHA State Grants (Operational Grants)	0	0	0	0
Other Highways	7431	2774	4327	14532
Prevention Block Grant	3083	4341	1674	9098
Primary Care Block Grant	6211	8207	8315	22733
Primary Care Research And Development	690	556	330	1576
Primary Highway System	24000	27148	28374	79522
Rehabilitation Services	23828	23552	23631	71011
Runaway Youths	156	141	179	476
Rural & Small Urban Transportation	9493	7890	11672	29055
Rural Water And Waste Disposal Grants	11030	9030	6692	26752
Social Services Block Grant	52641	45995	43618	142254
State Block Grant (ECIA Chapter 2)	16072	13060	10238	39370
State & Community Highway Safety	2954	3400	2980	9334
Urban Development Action Grants	2264	12270	9757	24291
Urban Mass Transit	5035	10218	3511	18764
Urbanized Area Transportation	3744	11970	5766	21480
Vocational & Adult Education	1141	31441	15556	48138
Waste Water Treatment Grants	46472	73872	31268	151612
Water And Sewer Facility Loans	21825	21072	23169	66066
WIN	2687	3435	3216	9338
Women, Infants, And Children (WIC)	11018	17400	20987	49405
TOTAL	596950	726050	680482	2003483

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Alaska

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	2488	2777	1698	6963
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	21650	344	2261	24255
CETA	10300	8072	9655	28027
Child Abuse	0	0	0	0
Child Nutrition	4091	5854	8152	18097
Child Welfare	145	173	277	595
Community Development Block Grant	6222	5807	6543	18572
Community Facility Loans	212	3425	735	4372
Community Services Block Grant	1487	975	1199	3661
Construction Safety	2392	3087	3141	8620
Emergency Assistance	0	0	0	0
Family Planning	236	279	310	825
Foster Care	51	197	972	1220
General Revenue Sharing (Local Grants)	15344	14802	13145	43291
Grants-In-Aid For Airports	26559	23641	16362	66562
Highway Related Safety Grants	138	139	139	416
Interstate Transfers - Highways	0	0	0	0
Legal Services	1508	1799	1858	5165
Low Income Home Energy	867	5271	10113	16251
Maternal & Child Health Block Grant	672	650	679	2001
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	1039	962	1058	3059
Other Highways	5191	8865	13427	27483
Prevention Block Grant	1283	1227	335	2845
Primary Care Block Grant	388	563	681	1632
Primary Care Research And Development	188	0	0	188
Primary Highway System	41092	51958	78994	172044
Rehabilitation Services	3121	3356	3304	9781
Runaway Youths	45	48	23	116
Rural & Small Urban Transportation	8894	21480	38019	68393
Rural Water And Waste Disposal Grants	300	786	511	1597
Social Services Block Grant	5575	6142	3881	15598
State Block Grant (ECIA Chapter 2)	2555	2375	1797	6727
State & Community Highway Safety	835	965	850	2650
Urban Development Action Grants	0	0	0	0
Urban Mass Transit	920	3635	4314	8869
Urbanized Area Transportation	3328	2891	1867	8086
Vocational & Adult Education	1590	630	1922	4142
Waste Water Treatment Grants	21191	24286	14395	59872
Water And Sewer Facility Loans	646	2710	461	3817
WIN	1214	1124	7289	9627
Women, Infants, And Children (WIC)	496	703	1057	2256
TOTAL	194253	211998	251424	657675

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Arizona

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	9893	10951	9230	30074
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	237	2979	1576	4792
CETA	44200	38229	31461	113890
Child Abuse	0	0	0	0
Child Nutrition	32397	38183	40818	111398
Child Welfare	731	743	2178	3652
Community Development Block Grant	33437	34371	35484	103292
Community Facility Loans	5967	2045	2686	10698
Community Services Block Grant	3252	3711	3723	10686
Construction Safety	1755	3566	2893	8214
Emergency Assistance	0	0	0	0
Family Planning	2474	2661	2660	7795
Foster Care	24	45	600	669
General Revenue Sharing (Local Grants)	52919	53354	61867	168140
Grants-In-Aid For Airports	17190	13494	11378	42062
Highway Related Safety Grants	269	240	245	754
Interstate Transfers - Highways	774	2165	3800	6739
Legal Services	4511	5335	5423	15269
Low Income Home Energy	433	5190	7658	13281
Maternal & Child Health Block Grant	3444	3546	3933	10923
Migrant Health Clinics	615	446	717	1778
OSHA State Grants (Operational Grants)	635	530	682	1847
Other Highways	3643	4541	9827	18011
Prevention Block Grant	2029	2685	1097	5811
Primary Care Block Grant	3577	5238	5511	14326
Primary Care Research And Development	0	200	90	290
Primary Highway System	19086	18909	24831	62826
Rehabilitation Services	11192	11010	12195	34397
Runaway Youths	194	200	120	514
Rural & Small Urban Transportation	2515	7336	7205	17056
Rural Water And Waste Disposal Grants	1417	1951	1023	4391
Social Services Block Grant	23164	31352	38312	92828
State Block Grant (ECIA Chapter 2)	11248	8894	6432	26574
State & Community Highway Safety	1641	1892	1694	5227
Urban Development Action Grants	993	100	750	1843
Urban Mass Transit	11673	24126	16173	51972
Urbanized Area Transportation	4117	7504	6272	17893
Vocational & Adult Education	938	17713	9873	28524
Waste Water Treatment Grants	60797	23380	20344	104521
Water And Sewer Facility Loans	8931	8218	5658	22807
WIN	2655	2769	2462	7886
Women, Infants, And Children (WIC)	13812	16467	17797	48076
TOTAL	398778	416269	416677	1231726

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE

(DOLLARS IN THOUSANDS)

Arkansas

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	9912	8387	7494	25793
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	9751	8937	9028	27716
CETA	33000	33358	40378	106736
Child Abuse	67	99	99	265
Child Nutrition	40838	44312	49319	134469
Child Welfare	722	749	2427	3898
Community Development Block Grant	30021	30084	29159	89264
Community Facility Loans	8287	5377	8598	22262
Community Services Block Grant	4575	6045	4562	15182
Construction Safety	5680	5694	3800	15174
Emergency Assistance	9	38	32	79
Family Planning	2687	2720	2678	8085
Foster Care	319	333	375	1027
General Revenue Sharing (Local Grants)	45387	45668	44674	135729
Grants-In-Aid For Airports	5487	3721	2821	12029
Highway Related Safety Grants	318	318	319	955
Interstate Transfers - Highways	0	0	0	0
Legal Services	3255	4320	4311	11886
Low Income Home Energy	1467	9596	12088	23151
Maternal & Child Health Block Grant	4781	4424	4741	13946
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	35969	4978	6175	47122
Prevention Block Grant	1664	724	846	3234
Primary Care Block Grant	2323	2982	2982	8287
Primary Care Research And Development	450	478	130	1058
Primary Highway System	35356	29890	37448	102694
Rehabilitation Services	13417	13734	13855	41006
Runaway Youths	72	73	102	247
Rural & Small Urban Transportation	7412	7917	7702	23031
Rural Water And Waste Disposal Grants	7335	7959	6092	21386
Social Services Block Grant	35073	30695	23693	89461
State Block Grant (ECIA Chapter 2)	8485	6475	4488	19448
State & Community Highway Safety	1919	2212	1942	6073
Urban Development Action Grants	0	3869	2256	6125
Urban Mass Transit	1915	867	5656	8438
Urbanized Area Transportation	2045	5596	2676	10317
Vocational & Adult Education	613	17619	8909	27141
Waste Water Treatment Grants	20129	44400	35659	100188
Water And Sewer Facility Loans	17683	17232	18344	53259
WIN	2441	1853	2105	6399
Women, Infants, And Children (WIC)	8507	8125	9942	26574
TOTAL	409370	421858	417904	1249134

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE

(DOLLARS IN THOUSANDS)
California

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	43129	55949	50057	149135
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	-724	26090	20330	45696
CETA	353200	435382	389051	1177633
Child Abuse	431	642	623	1696
Child Nutrition	303939	333343	372618	1009900
Child Welfare	5365	5209	12726	23300
Community Development Block Grant	333367	353039	338661	1025067
Community Facility Loans	8767	6731	6947	22445
Community Services Block Grant	33989	35946	35558	105493
Construction Safety	25333	19012	26806	71151
Emergency Assistance	0	0	0	0
Family Planning	10363	11509	11096	32968
Foster Care	31748	39223	42053	113024
General Revenue Sharing (Local Grants)	518103	532461	495077	1545641
Grants-In-Aid For Airports	57970	69257	39471	166698
Highway Related Safety Grants	2254	2256	2262	6772
Interstate Transfers - Highways	0	0	0	0
Legal Services	29028	31013	32458	92499
Low Income Home Energy	1749	65543	85041	152333
Maternal & Child Health Block Grant	16358	16736	20905	53999
Migrant Health Clinics	3968	4260	4733	12961
OSHA State Grants (Operational Grants)	7817	10647	12394	30858
Other Highways	13830	21096	18587	53513
Prevention Block Grant	10573	10700	6231	27504
Primary Care Block Grant	24837	29951	31966	86754
Primary Care Research And Development	958	761	110	1829
Primary Highway System	71704	107992	93560	273256
Rehabilitation Services	68039	67275	69178	204492
Runaway Youths	1118	1134	1033	3285
Rural & Small Urban Transportation	16154	14988	12611	43753
Rural Water And Waste Disposal Grants	8923	9599	5905	24427
Social Services Block Grant	319314	296195	229686	845195
State Block Grant (ECIA Chapter 2)	90736	88682	58217	237635
State & Community Highway Safety	13609	15681	13774	43064
Urban Development Action Grants	32799	66340	37362	136501
Urban Mass Transit	204026	354670	384107	942803
Urbanized Area Transportation	94307	86569	99577	280453
Vocational & Adult Education	4220	68855	73265	146340
Waste Water Treatment Grants	352896	357688	258382	968966
Water And Sewer Facility Loans	26456	20381	23476	70313
WIN	56968	46387	48097	151452
Women, Infants, And Children (WIC)	36921	56233	66117	159271
TOTAL	3234542	3775426	3530106	10540075

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Colorado

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	9152	8148	7461	24761
Appalachian Highways	0	0	0	0
Black Lung Clinics	51	52	50	153
Bridges	2553	2075	5132	9760
CETA	29800	37378	33067	100245
Child Abuse	78	115	112	305
Child Nutrition	29970	36381	42008	108359
Child Welfare	893	886	2544	4323
Community Development Block Grant	30456	32716	31645	94817
Community Facility Loans	959	2956	1445	5360
Community Services Block Grant	2713	3298	3329	9340
Construction Safety	5111	2851	4162	12124
Emergency Assistance	0	0	0	0
Family Planning	1391	1531	1569	4491
Foster Care	1052	877	1854	3783
General Revenue Sharing (Local Grants)	50851	50835	53202	154888
Grants-In-Aid For Airports	22221	13596	11512	47329
Highway Related Safety Grants	357	357	358	1072
Interstate Transfers - Highways	11158	14394	17200	42752
Legal Services	3113	3589	3823	10525
Low Income Home Energy	3039	19148	29657	51844
Maternal & Child Health Block Grant	5075	4943	5157	15175
Migrant Health Clinics	1328	1425	1465	4218
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	9095	4286	8177	21558
Prevention Block Grant	2317	2187	1160	5664
Primary Care Block Grant	13579	14779	14080	42438
Primary Care Research And Development	365	381	0	746
Primary Highway System	15484	25538	22464	63486
Rehabilitation Services	10506	10751	11030	32287
Runaway Youths	200	216	227	643
Rural & Small Urban Transportation	7453	7523	9358	24334
Rural Water And Waste Disposal Grants	3770	3489	2261	9520
Social Services Block Grant	30054	32651	40455	103160
State Block Grant (ECIA Chapter 2)	8802	7744	5845	22391
State & Community Highway Safety	2157	2483	2177	6817
Urban Development Action Grants	14620	992	1000	16612
Urban Mass Transit	53909	36129	49170	139208
Urbanized Area Transportation	7010	11011	7130	25151
Vocational & Adult Education	8978	1748	18739	29465
Waste Water Treatment Grants	37586	41684	43990	123260
Water And Sewer Facility Loans	10363	8932	6373	25668
WIN	8853	4485	6112	19450
Women, Infants, And Children (WIC)	7417	9961	12116	29494
TOTAL	453839	464521	518615	1446976

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Connecticut

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	8344	8309	7685	24338
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	2090	2928	2499	7517
CETA	44300	47760	44808	136868
Child Abuse	80	117	113	310
Child Nutrition	32748	38588	36776	108112
Child Welfare	867	826	2386	4079
Community Development Block Grant	51214	44815	43338	139367
Community Facility Loans	1761	1601	3686	7048
Community Services Block Grant	4027	4586	4745	13358
Construction Safety	2993	4198	2649	9840
Emergency Assistance	3163	501	1153	4817
Family Planning	1157	1385	1302	3844
Foster Care	1058	291	2220	3569
General Revenue Sharing (Local Grants)	57318	57134	56313	170765
Grants-In-Aid For Airports	2108	4143	2892	9143
Highway Related Safety Grants	330	330	331	991
Interstate Transfers - Highways	5683	14125	9300	29108
Legal Services	2793	3089	3178	9060
Low Income Home Energy	3272	37490	38681	79443
Maternal & Child Health Block Grant	3082	3092	3361	9535
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	279	283	268	830
Other Highways	5713	12703	3529	21945
Prevention Block Grant	2461	2448	1394	6303
Primary Care Block Grant	1549	1779	1845	5173
Primary Care Research And Development	0	0	0	0
Primary Highway System	31458	11590	21959	65007
Rehabilitation Services	8522	8359	8913	25794
Runaway Youths	100	124	151	375
Rural & Small Urban Transportation	2800	5496	2310	10606
Rural Water And Waste Disposal Grants	2270	1785	1195	5250
Social Services Block Grant	55505	46364	38661	140530
State Block Grant (ECIA Chapter 2)	10582	9392	7941	27915
State & Community Highway Safety	1992	2294	2014	6300
Urban Development Action Grants	7815	7244	6102	21161
Urban Mass Transit	48370	43588	55398	147356
Urbanized Area Transportation	12437	9130	11801	33368
Vocational & Adult Education	791	9929	17943	28663
Waste Water Treatment Grants	47165	81391	24789	153345
Water And Sewer Facility Loans	19303	3971	5601	28875
WIN	5524	4036	5022	14582
Women, Infants, And Children (WIC)	12064	13001	15866	40931
TOTAL	505088	550214	500118	1555421

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Delaware

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	1330	1495	1309	4134
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	514	8294	508	9316
CETA	10300	14271	12437	37008
Child Abuse	36	54	53	143
Child Nutrition	8559	9936	9734	28229
Child Welfare	189	190	406	785
Community Development Block Grant	8322	8989	8641	25952
Community Facility Loans	474	541	200	1215
Community Services Block Grant	763	830	695	2288
Construction Safety	2269	1223	463	3955
Emergency Assistance	90	115	123	328
Family Planning	450	467	478	1395
Foster Care	482	446	532	1460
General Revenue Sharing (Local Grants)	14152	13764	14070	41986
Grants-In-Aid For Airports	1300	164	54	1518
Highway Related Safety Grants	138	139	139	416
Interstate Transfers - Highways	0	0	0	0
Legal Services	509	559	556	1624
Low Income Home Energy	579	4962	5130	10671
Maternal & Child Health Block Grant	1002	1464	1413	3879
Migrant Health Clinics	268	308	455	1031
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	1264	777	1392	3433
Prevention Block Grant	511	474	171	1156
Primary Care Block Grant	300	300	361	961
Primary Care Research And Development	0	0	0	0
Primary Highway System	7224	2256	20285	29765
Rehabilitation Services	3591	3790	3682	11063
Runaway Youths	0	0	27	27
Rural & Small Urban Transportation	2983	314	12289	15586
Rural Water And Waste Disposal Grants	1128	312	210	1650
Social Services Block Grant	8588	7910	6686	23184
State Block Grant (ECIA Chapter 2)	9192	7555	5407	22154
State & Community Highway Safety	836	966	850	2652
Urban Development Action Grants	0	20194	445	20639
Urban Mass Transit	1687	2671	2312	6670
Urbanized Area Transportation	6919	-3803	9658	12774
Vocational & Adult Education	1702	2314	4010	8026
Waste Water Treatment Grants	20211	18901	12995	52107
Water And Sewer Facility Loans	2310	1441	1603	5354
WIN	1191	1206	1174	3571
Women, Infants, And Children (WIC)	1168	1504	1896	4568
TOTAL	122530	137291	142850	402673

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
District of Columbia

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	3137	3072	2086	8295
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	8602	1163	4260	14025
CETA	69800	26392	21814	118006
Child Abuse	37	54	51	142
Child Nutrition	12352	14161	13940	40453
Child Welfare	280	282	445	1007
Community Development Block Grant	27148	24119	23477	74744
Community Facility Loans	0	0	0	0
Community Services Block Grant	6868	6762	6763	20393
Construction Safety	1584	909	1568	4061
Emergency Assistance	777	726	924	2427
Family Planning	855	977	1265	3097
Foster Care	357	365	444	1166
General Revenue Sharing (Local Grants)	19239	18815	18885	56939
Grants-In-Aid For Airports	84	150	0	234
Highway Related Safety Grants	138	139	139	416
Interstate Transfers - Highways	6689	929	9300	16918
Legal Services	4142	4224	4776	13142
Low Income Home Energy	469	6054	5998	12521
Maternal & Child Health Block Grant	6366	6262	5725	18353
Migrant Health Clinics	384	604	641	1629
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	4151	1637	1867	7655
Prevention Block Grant	1247	1274	768	3289
Primary Care Block Grant	5364	5195	4437	14996
Primary Care Research And Development	11	143	0	154
Primary Highway System	2726	3025	3785	9536
Rehabilitation Services	11517	10050	9423	30990
Runaway Youths	126	133	27	286
Rural & Small Urban Transportation	0	0	0	0
Rural Water And Waste Disposal Grants	0	0	0	0
Social Services Block Grant	7193	9174	9581	25948
State Block Grant (ECIA Chapter 2)	9054	8026	5646	22726
State & Community Highway Safety	836	966	850	2652
Urban Development Action Grants	4243	0	1410	5653
Urban Mass Transit	287238	308046	314502	909786
Urbanized Area Transportation	1594	4567	8168	14329
Vocational & Adult Education	4086	4801	2775	11662
Waste Water Treatment Grants	15520	1612	4687	21819
Water And Sewer Facility Loans	0	0	0	0
WIN	4090	4292	3532	11914
Women, Infants, And Children (WIC)	2288	2238	3018	7544
TOTAL	530592	481337	496978	1508907

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE

(DOLLARS IN THOUSANDS)

Florida

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	29630	33827	30411	93868
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	20284	37186	30998	88468
CETA	129100	163189	144328	436617
Child Abuse	171	254	254	679
Child Nutrition	139009	164542	168267	471818
Child Welfare	2084	2214	5430	9728
Community Development Block Grant	118457	126519	122501	367477
Community Facility Loans	9971	7218	9252	26441
Community Services Block Grant	10766	11659	10439	32864
Construction Safety	11945	11512	8614	32071
Emergency Assistance	0	0	0	0
Family Planning	4464	5326	5535	15325
Foster Care	1345	547	3558	5450
General Revenue Sharing (Local Grants)	136015	136288	160047	432350
Grants-In-Aid For Airports	42960	39824	27035	109819
Highway Related Safety Grants	826	826	827	2479
Interstate Transfers - Highways	0	0	0	0
Legal Services	8845	10463	11550	30858
Low Income Home Energy	330	13573	25080	38983
Maternal & Child Health Block Grant	10483	10072	10781	31336
Migrant Health Clinics	6874	6981	8030	21885
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	3659	11034	6955	21648
Prevention Block Grant	4593	5496	2691	12780
Primary Care Block Grant	6952	10243	11249	28444
Primary Care Research And Development	250	406	294	950
Primary Highway System	43589	58542	43365	145496
Rehabilitation Services	32899	33607	34627	101133
Runaway Youths	677	706	370	1753
Rural & Small Urban Transportation	4283	3712	2609	10604
Rural Water And Waste Disposal Grants	8289	8350	6120	22759
Social Services Block Grant	122181	79867	122673	324721
State Block Grant (ECIA Chapter 2)	26154	22967	16995	66116
State & Community Highway Safety	4994	5742	5037	15773
Urban Development Action Grants	8800	6094	1758	16652
Urban Mass Transit	214992	227559	296781	739332
Urbanized Area Transportation	20872	20503	30931	72306
Vocational & Adult Education	26186	33028	29638	88852
Waste Water Treatment Grants	174686	117638	164571	456895
Water And Sewer Facility Loans	56313	20091	26634	103038
WIN	5277	5274	5254	15805
Women, Infants, And Children (WIC)	15830	21621	26939	64390
TOTAL	1465036	1474499	1618427	4557963

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE

(DOLLARS IN THOUSANDS)

Georgia

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	14271	11978	11352	37601
Appalachian Highways	17183	7465	7588	32236
Black Lung Clinics	0	0	0	0
Bridges	16266	24942	5010	46218
CETA	71200	83773	74979	229952
Child Abuse	128	189	188	505
Child Nutrition	111927	122644	133279	367850
Child Welfare	1663	1595	4196	7454
Community Development Block Grant	68063	71318	69237	208618
Community Facility Loans	5389	4026	3904	13319
Community Services Block Grant	10326	11231	10709	32266
Construction Safety	8467	10467	3545	22479
Emergency Assistance	0	0	0	0
Family Planning	3541	4664	4319	12524
Foster Care	1883	1818	2055	5756
General Revenue Sharing (Local Grants)	100903	100310	107880	309093
Grants-In-Aid For Airports	16567	19968	12856	49391
Highway Related Safety Grants	629	629	631	1889
Interstate Transfers - Highways	0	0	0	0
Legal Services	8052	8706	9270	26028
Low Income Home Energy	1154	17824	19821	38799
Maternal & Child Health Block Grant	10104	9614	10675	30393
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	27859	5746	2035	35640
Prevention Block Grant	3970	4997	2942	11909
Primary Care Block Grant	5525	6721	7213	19459
Primary Care Research And Development	203	104	9	316
Primary Highway System	40817	55270	-2097	93990
Rehabilitation Services	23966	23587	24402	71955
Runaway Youths	81	110	263	454
Rural & Small Urban Transportation	9576	6150	1656	17382
Rural Water And Waste Disposal Grants	9916	9905	6575	26396
Social Services Block Grant	69260	75539	54798	199597
State Block Grant (ECIA Chapter 2)	21589	19465	13829	54883
State & Community Highway Safety	3802	4377	3843	12022
Urban Development Action Grants	11514	5761	5052	22327
Urban Mass Transit	41940	47929	73845	163714
Urbanized Area Transportation	7124	9643	20662	37429
Vocational & Adult Education	1278	21326	40698	63302
Waste Water Treatment Grants	33529	92171	101474	227174
Water And Sewer Facility Loans	14977	22529	24826	62332
WIN	8294	6490	5837	20621
Women, Infants, And Children (WIC)	16761	23225	25899	65885
TOTAL	819698	954205	905255	2679158

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Hawaii

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	3060	2327	3019	8406
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	189	2905	3028	6122
CETA	13100	17292	13579	43971
Child Abuse	43	64	63	170
Child Nutrition	15567	16263	20362	52192
Child Welfare	332	350	630	1312
Community Development-Block Grant	13778	14714	14208	42700
Community Facility Loans	0	0	300	300
Community Services Block Grant	1741	1344	1856	4941
Construction Safety	1691	1310	718	3719
Emergency Assistance	0	0	0	0
Family Planning	855	1054	1074	2983
Foster Care	24	17	24	65
General Revenue Sharing (Local Grants)	22259	21392	21406	65057
Grants-In-Aid For Airports	12517	10345	8155	31017
Highway Related Safety Grants	138	139	139	416
Interstate Transfers - Highways	0	0	0	0
Legal Services	757	814	956	2527
Low Income Home Energy	105	487	1993	2585
Maternal & Child Health Block Grant	1755	1824	1627	5206
Migrant Health Clinics	32	0	0	32
OSHA State Grants (Operational Grants)	752	1580	33	2365
Other Highways	1952	1395	2213	5560
Prevention Block Grant	730	1239	763	2732
Primary Care Block Grant	2498	3215	3242	8955
Primary Care Research And Development	0	0	0	0
Primary Highway System	5655	7524	9657	22836
Rehabilitation Services	4177	3656	3546	11379
Runaway Youths	149	152	44	345
Rural & Small Urban Transportation	1534	3290	4560	9384
Rural Water And Waste Disposal Grants	0	0	0	0
Social Services Block Grant	13216	11259	10415	34890
State Block Grant (ECIA Chapter 2)	5090	4062	2970	12122
State & Community Highway Safety	836	966	850	2652
Urban Development Action Grants	0	0	0	0
Urban Mass Transit	3347	6792	3143	13282
Urbanized Area Transportation	7461	-226	1525	8760
Vocational & Adult Education	3114	3777	3422	10313
Waste Water Treatment Grants	17856	33176	27358	78390
Water And Sewer Facility Loans	481	1446	269	2196
WIN	1838	1266	1908	5012
Women, Infants, And Children (WIC)	1311	2149	2317	5777
TOTAL	159940	179360	171372	510671

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Idaho

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	2453	1675	1600	5728
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	13047	2118	3510	18675
CETA	12100	12811	16206	41117
Child Abuse	0	0	0	0
Child Nutrition	9012	10210	12144	31366
Child Welfare	338	332	799	1469
Community Development Block Grant	7705	7731	7296	22732
Community Facility Loans	260	1060	2230	3550
Community Services Block Grant	779	1182	1030	2991
Construction Safety	1250	1166	3940	6356
Emergency Assistance	0	0	0	0
Family Planning	539	709	753	2001
Foster Care	262	265	338	865
General Revenue Sharing (Local Grants)	17385	17232	18907	53524
Grants-In-Aid For Airports	4261	3514	5678	13453
Highway Related Safety Grants	180	182	186	548
Interstate Transfers - Highways	0	0	0	0
Legal Services	1157	1124	1227	3518
Low Income Home Energy	818	9090	11571	21479
Maternal & Child Health Block Grant	2000	2090	2398	6488
Migrant Health Clinics	743	727	1192	2662
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	8020	5364	9791	23175
Prevention Block Grant	1045	1254	347	2646
Primary Care Block Grant	1144	1664	1931	4739
Primary Care Research And Development	465	0	0	465
Primary Highway System	12228	9746	16448	38422
Rehabilitation Services	3925	4298	4380	12603
Runaway Youths	49	54	47	150
Rural & Small Urban Transportation	5149	3724	4694	13567
Rural Water And Waste Disposal Grants	2005	1710	1005	4720
Social Services Block Grant	11969	10905	9930	32804
State Block Grant (ECIA Chapter 2)	3092	2956	2579	8627
State & Community Highway Safety	1076	1263	1132	3471
Urban Development Action Grants	0	700	1331	2031
Urban Mass Transit	1942	2114	1298	5354
Urbanized Area Transportation	3804	2247	4035	10086
Vocational & Adult Education	3323	785	6869	10977
Waste Water Treatment Grants	24457	22624	21513	68594
Water And Sewer Facility Loans	2095	3584	3589	9268
WIN	2208	2081	2357	6646
Women, Infants, And Children (WIC)	3295	4224	4675	12194
TOTAL	165590	154514	188956	509061

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Illinois

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	18803	17952	17246	54001
Appalachian Highways	0	0	0	0
Black Lung Clinics	428	166	174	768
Bridges	75129	72326	90470	237925
CETA	146400	183306	183448	513154
Child Abuse	235	351	334	920
Child Nutrition	134946	141342	157527	433815
Child Welfare	2915	2726	8380	14021
Community Development Block Grant	216431	228101	216370	660902
Community Facility Loans	7124	8276	9120	24520
Community Services Block Grant	18240	20713	17718	56671
Construction Safety	18088	18118	18644	54850
Emergency Assistance	0	100	324	424
Family Planning	3948	6491	6014	16453
Foster Care	918	0	5165	6083
General Revenue Sharing (Local Grants)	227269	225810	223639	676718
Grants-In-Aid For Airports	13624	29311	15071	58006
Highway Related Safety Grants	1317	1317	1321	3955
Interstate Transfers - Highways	44403	111299	123398	279100
Legal Services	8755	10160	10819	29734
Low Income Home Energy	13042	85375	107057	205474
Maternal & Child Health Block Grant	12733	14982	12941	40656
Migrant Health Clinics	377	494	547	1418
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	9652	7503	6021	23176
Prevention Block Grant	4921	5023	2055	11999
Primary Care Block Grant	5490	8675	8073	22238
Primary Care Research And Development	531	51	0	582
Primary Highway System	87427	55376	75269	218072
Rehabilitation Services	33924	33159	33292	100375
Runaway Youths	149	375	515	1039
Rural & Small Urban Transportation	11617	12056	18423	42096
Rural Water And Waste Disposal Grants	8153	8605	7170	23928
Social Services Block Grant	217836	142147	109932	469915
State Block Grant (ECIA Chapter 2)	36684	32619	23693	92996
State & Community Highway Safety	7954	9155	8040	25149
Urban Development Action Grants	34452	41914	28370	104736
Urban Mass Transit	205931	289563	290864	786358
Urbanized Area Transportation	70129	30460	40682	141271
Vocational & Adult Education	631	71899	28774	101304
Waste Water Treatment Grants	137876	118259	220149	476284
Water And Sewer Facility Loans	10727	18813	22834	52374
WIN	16375	16154	17074	49603
Women, Infants, And Children (WIC)	22095	31215	34602	87912
TOTAL	1887678	2111737	2201560	6200975

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Indiana

PROGRAM	1979.	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	25870	23072	21563	70505
Appalachian Highways	0	0	0	0
Black Lung Clinics	57	196	155	408
Bridges	5821	6390	9442	21653
CETA	65700	87541	101908	255249
Child Abuse	0	0	0	0
Child Nutrition	58485	68289	70910	197685
Child Welfare	1499	1464	3859	6822
Community Development Block Grant	64530	69099	66717	200346
Community Facility Loans	3341	4732	6330	14403
Community Services Block Grant	4861	5506	6469	16836
Construction Safety	9146	11639	13131	33916
Emergency Assistance	0	0	0	0
Family Planning	2618	3235	3235	9088
Foster Care	1082	1002	1459	3543
General Revenue Sharing (Local Grants)	92078	89731	87621	269430
Grants-In-Aid For Airports	18512	21372	8007	47891
Highway Related Safety Grants	668	667	669	2004
Interstate Transfers - Highways	0	0	0	0
Legal Services	3772	4806	5100	13678
Low Income Home Energy	5150	40372	48463	93985
Maternal & Child Health Block Grant	7343	7721	7925	22989
Migrant Health Clinics	539	777	916	2232
OSHA State Grants (Operational Grants)	1191	1343	1385	3919
Other Highways	32933	5290	19025	57248
Prevention Block Grant	3472	3169	1570	8211
Primary Care Block Grant	1440	1539	1777	4756
Primary Care Research And Development	0	0	0	0
Primary Highway System	31688	32663	24527	88878
Rehabilitation Services	15422	16121	19327	50870
Runaway Youths	482	444	254	1180
Rural & Small Urban Transportation	4035	6273	8729	19037
Rural Water And Waste Disposal Grants	6389	6854	4892	18135
Social Services Block Grant	52296	63108	59422	174826
State Block Grant (ECIA Chapter 2)	18861	15694	13835	48390
State & Community Highway Safety	4037	4640	4070	12747
Urban Development Action Grants	11398	21804	5127	38329
Urban Mass Transit	20925	41094	55778	117797
Urbanized Area Transportation	10854	23888	30019	64761
Vocational & Adult Education	16694	20147	37602	74443
Waste Water Treatment Grants	-3593	169603	66244	232254
Water And Sewer Facility Loans	25652	15750	17509	58911
WIN	5623	4063	4486	14172
Women, Infants, And Children (WIC)	5010	10736	13152	28898
TOTAL	635882	911933	852609	2400425

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Iowa

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	1678	2763	1881	6322
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	18106	29234	19152	66492
CETA	27100	28384	34448	89932
Child Abuse	80	117	113	310
Child Nutrition	36255	42152	40034	118441
Child Welfare	826	795	2621	4242
Community Development Block Grant	38651	39883	38913	117447
Community Facility Loans	3904	6770	4967	15641
Community Services Block Grant	4732	4592	4187	13511
Construction Safety	5733	7721	5050	18504
Emergency Assistance	0	0	0	0
Family Planning	1326	2008	2032	5366
Foster Care	1052	1023	1247	3322
General Revenue Sharing (Local Grants)	56970	56708	56188	169866
Grants-In-Aid For Airports	4292	7657	4280	16229
Highway Related Safety Grants	474	473	472	1419
Interstate Transfers - Highways	0	0	0	0
Legal Services	2744	3313	3358	9415
Low Income Home Energy	4158	26882	34344	65384
Maternal & Child Health Block Grant	4984	5084	4960	15028
Migrant Health Clinics	159	207	170	536
OSHA State Grants (Operational Grants)	696	1561	0	2257
Other Highways	4257	2921	1547	8725
Prevention Block Grant	2475	2525	1760	6760
Primary Care Block Grant	1312	1512	1273	4102
Primary Care Research And Development	80	60	0	140
Primary Highway System	24741	43521	38632	106894
Rehabilitation Services	10675	10855	11233	32763
Runaway Youths	140	103	131	374
Rural & Small Urban Transportation	11079	8114	7864	27057
Rural Water And Waste Disposal Grants	6534	6417	3574	16525
Social Services Block Grant	43865	40836	26267	110968
State Block Grant (ECIA Chapter 2)	7389	6894	5524	19807
State & Community Highway Safety	2865	3291	2876	9032
Urban Development Action Grants	11952	882	2454	15288
Urban Mass Transit	8089	12140	17223	37452
Urbanized Area Transportation	7695	5160	5111	17966
Vocational & Adult Education	8641	20631	9709	38981
Waste Water Treatment Grants	44352	72334	32259	148945
Water And Sewer Facility Loans	30052	13380	17141	60573
WIN	3088	3816	3491	10395
Women, Infants, And Children (WIC)	5360	7042	9106	21508
TOTAL	448560	529760	455597	1433919

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Kansas

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	6200	3182	2801	12183
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	18509	13545	23926	55980
CETA	22500	22181	22485	67166
Child Abuse	69	100	97	266
Child Nutrition	28998	28680	32576	90254
Child Welfare	629	606	1927	3162
Community Development Block Grant	31606	28675	27913	88194
Community Facility Loans	2018	2960	3427	8405
Community Services Block Grant	5652	4421	2017	12090
Construction Safety	7678	3648	10500	21826
Emergency Assistance	470	627	548	1645
Family Planning	1236	1435	1563	4234
Foster Care	2968	3397	3547	9912
General Revenue Sharing (Local Grants)	40238	40594	40477	121309
Grants-In-Aid For Airports	6859	10416	5313	22588
Highway Related Safety Grants	451	451	451	1353
Interstate Transfers - Highways	0	0	0	0
Legal Services	2208	2511	2625	7344
Low Income Home Energy	2260	10633	15779	28672
Maternal & Child Health Block Grant	2969	3211	3366	9546
Migrant Health Clinics	174	225	258	657
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	9493	7561	5046	22100
Prevention Block Grant	2164	1963	893	5020
Primary Care Block Grant	176	221	242	639
Primary Care Research And Development	186	90	0	276
Primary Highway System	17891	26293	16159	60343
Rehabilitation Services	8734	9098	9323	27155
Runaway Youths	55	57	103	215
Rural & Small Urban Transportation	10937	7067	7626	25630
Rural Water And Waste Disposal Grants	3636	5265	4118	13019
Social Services Block Grant	31644	32615	25793	90052
State Block Grant (ECIA Chapter 2)	5980	5807	4547	16334
State & Community Highway Safety	2728	3135	2745	8608
Urban Development Action Grants	428	2361	1718	4507
Urban Mass Transit	1562	4788	2601	8951
Urbanized Area Transportation	6807	4981	5669	17457
Vocational & Adult Education	517	16529	7632	24678
Waste Water Treatment Grants	27333	62843	40859	131035
Water And Sewer Facility Loans	9322	14127	13155	36604
WIN	2829	2215	2730	7774
Women, Infants, And Children (WIC)	3711	5547	6276	15534
TOTAL	329824	394061	358831	1082717

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE

(DOLLARS IN THOUSANDS)
Kentucky

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	7323	5462	3668	16453
Appalachian Highways	34486	17947	15742	68175
Black Lung Clinics	999	538	639	2176
Bridges	25878	29664	24162	79704
CETA	51600	63511	65566	180677
Child Abuse	94	139	137	370
Child Nutrition	70575	78155	81670	230400
Child Welfare	1082	1086	3688	5856
Community Development Block Grant	52040	54907	53076	160023
Community Facility Loans	6972	6880	9136	22988
Community Services Block Grant	6198	6155	6752	19105
Construction Safety	4688	4591	6078	15357
Emergency Assistance	2009	1620	1117	4746
Family Planning	2939	3535	3396	9870
Foster Care	1707	1727	1989	5423
General Revenue Sharing (Local Grants)	75233	74107	76808	226148
Grants-In-Aid For Airports	8230	9385	5082	22697
Highway Related Safety Grants	435	435	435	1305
Interstate Transfers - Highways	0	0	0	0
Legal Services	5570	6573	6870	19013
Low Income Home Energy	3107	22877	25228	51212
Maternal & Child Health Block Grant	7470	7301	7987	22758
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	1786	1999	2012	5797
Other Highways	15594	11812	2921	30327
Prevention Block Grant	2778	2311	1270	6359
Primary Care Block Grant	5223	6636	5996	17855
Primary Care Research And Development	692	311	75	1078
Primary Highway System	21366	17575	39472	78413
Rehabilitation Services	19860	17557	18210	55627
Runaway Youths	92	92	166	350
Rural & Small Urban Transportation	7026	9960	9003	25989
Rural Water And Waste Disposal Grants	10276	9400	7124	26800
Social Services Block Grant	49334	37830	51183	138347
State Block Grant (ECIA Chapter 2)	11054	9436	6403	26893
State & Community Highway Safety	2628	3022	2647	8297
Urban Development Action Grants	11005	5031	11044	27080
Urban Mass Transit	10478	13197	20385	44060
Urbanized Area Transportation	5665	8317	9051	23033
Vocational & Adult Education	1033	14897	27961	43891
Waste Water Treatment Grants	38417	97151	46110	181678
Water And Sewer Facility Loans	22888	25911	25162	73961
WIN	3715	4562	3604	11881
Women, Infants, And Children (WIC)	13354	19018	21562	53934
TOTAL	622898	712619	710586	2046106

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Louisiana

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	5736	5457	3996	15189
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	25943	37761	23674	87378
CETA	53300	53832	66305	173437
Child Abuse	110	163	159	432
Child Nutrition	96820	95431	104572	296823
Child Welfare	1762	1692	3724	7178
Community Development Block Grant	69511	77102	74357	220970
Community Facility Loans	7661	6147	8184	21992
Community Services Block Grant	8757	9209	8910	26876
Construction Safety	6647	7507	5533	19687
Emergency Assistance	0	0	0	0
Family Planning	1341	1976	2500	5817
Foster Care	2053	2998	3724	8775
General Revenue Sharing (Local Grants)	102002	96032	94434	292468
Grants-In-Aid For Airports	16092	12436	7875	36403
Highway Related Safety Grants	452	453	455	1360
Interstate Transfers - Highways	0	0	0	0
Legal Services	6550	7618	7692	21860
Low Income Home Energy	2089	9813	16203	28105
Maternal & Child Health Block Grant	8190	7899	8663	24752
Migrant Health Clinics	196	62	130	388
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	8093	4106	3758	15957
Prevention Block Grant	3100	3589	2843	9532
Primary Care Block Grant	876	2167	1775	4818
Primary Care Research And Development	0	0	0	0
Primary Highway System	26705	33038	18702	78445
Rehabilitation Services	20082	19977	20778	60837
Runaway Youths	73	18	206	297
Rural & Small Urban Transportation	7136	11521	9517	28174
Rural Water And Waste Disposal Grants	9328	10435	6183	25946
Social Services Block Grant	52682	40328	58960	151970
State Block Grant (ECIA Chapter 2)	17654	14093	11860	43607
State & Community Highway Safety	2732	3151	2767	8650
Urban Development Action Grants	12490	19557	15857	47904
Urban Mass Transit	28920	13931	35691	78542
Urbanized Area Transportation	13739	19084	12303	45126
Vocational & Adult Education	1068	33512	16533	51113
Waste Water Treatment Grants	62827	59589	51746	174162
Water And Sewer Facility Loans	17659	20469	22635	60763
WIN	3249	2608	2836	8693
Women, Infants, And Children (WIC)	18076	24347	32823	75246
TOTAL	721701	769107	768862	2259672

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE

(DOLLARS IN THOUSANDS)
Maine

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	5672	4622	3854	14148
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	2196	4031	14165	20392
CETA	17000	21282	23265	61547
Child Abuse	46	68	67	181
Child Nutrition	18202	21251	20606	60059
Child Welfare	482	374	1205	2061
Community Development Block Grant	14205	14710	14096	43011
Community Facility Loans	3090	3683	5857	12630
Community Services Block Grant	1946	2055	2165	6166
Construction Safety	1672	1373	3531	6576
Emergency Assistance	0	0	0	0
Family Planning	692	966	1027	2685
Foster Care	2162	2218	2410	6790
General Revenue Sharing (Local Grants)	30565	26023	27778	84366
Grants-In-Aid For Airports	3068	6100	4767	13935
Highway Related Safety Grants	138	139	139	416
Interstate Transfers - Highways	0	0	0	0
Legal Services	1284	1436	1619	4339
Low Income Home Energy	3301	21759	25062	50122
Maternal & Child Health Block Grant	2214	2432	2533	7179
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	3072	1984	1330	6386
Prevention Block Grant	1965	1923	875	4763
Primary Care Block Grant	1890	2385	3087	7362
Primary Care Research And Development	1216	1312	302	2830
Primary Highway System	16295	16480	11305	44080
Rehabilitation Services	5074	5908	5988	16970
Runaway Youths	33	41	51	125
Rural & Small Urban Transportation	2203	4358	5116	11677
Rural Water And Waste Disposal Grants	4554	3134	2604	10292
Social Services Block Grant	12640	15856	15508	44004
State Block Grant (ECIA Chapter 2)	3499	3282	2551	9332
State & Community Highway Safety	836	966	850	2652
Urban Development Action Grants	6642	8753	2185	17580
Urban Mass Transit	2370	2244	3508	8122
Urbanized Area Transportation	3807	2695	3511	10013
Vocational & Adult Education	378	9088	4476	13942
Waste Water Treatment Grants	33077	31744	33929	98750
Water And Sewer Facility Loans	23528	8417	7438	39383
WIN	2021	1622	1992	5635
Women, Infants, And Children (WIC)	3546	4547	5028	13121
TOTAL	236580	261260	265779	763622

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Maryland

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	4823	4622	2793	12238
Appalachian Highways	520	1275	15832	17627
Black Lung Clinics	0	0	0	0
Bridges	9420	31036	18631	59087
CETA	65000	74888	69093	208981
Child Abuse	0	0	0	0
Child Nutrition	52137	64034	57601	173772
Child Welfare	1015	932	3232	5179
Community Development Block Grant	57055	60292	62046	179393
Community Facility Loans	3380	4200	2435	10015
Community Services Block Grant	5438	5345	5391	16174
Construction Safety	4598	2084	7876	14558
Emergency Assistance	1372	1546	1672	4590
Family Planning	2650	2966	2657	8273
Foster Care	2854	2860	3314	9028
General Revenue Sharing (Local Grants)	90937	88387	88817	268141
Grants-In-Aid For Airports	3965	9242	3454	16661
Highway Related Safety Grants	429	430	431	1290
Interstate Transfers - Highways	0	0	0	0
Legal Services	2836	3440	3758	10034
Low Income Home Energy	2264	28693	29620	60577
Maternal & Child Health Block Grant	8657	8990	9200	26847
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	4386	0	2114	6500
Other Highways	2665	4798	5870	13333
Prevention Block Grant	2217	2344	2212	6773
Primary Care Block Grant	6972	9295	8818	25085
Primary Care Research And Development	0	0	0	0
Primary Highway System	7627	34943	25599	68169
Rehabilitation Services	13673	13853	14340	41866
Runaway Youths	329	348	183	860
Rural & Small Urban Transportation	2228	1113	4329	7670
Rural Water And Waste Disposal Grants	2469	3329	2708	8506
Social Services Block Grant	63669	55782	43567	163018
State Block Grant (ECIA Chapter 2)	13111	11400	7354	31865
State & Community Highway Safety	2593	2987	2623	8203
Urban Development Action Grants	8260	8819	18405	35484
Urban Mass Transit	137508	97611	34536	269655
Urbanized Area Transportation	9488	15292	8070	32850
Vocational & Adult Education	23555	16592	13349	53496
Waste Water Treatment Grants	112574	100806	68735	282115
Water And Sewer Facility Loans	6052	7997	7241	21290
WIN	7302	7977	6422	21701
Women, Infants, And Children (WIC)	7800	11484	14206	33490
TOTAL	753828	802031	678533	2234394

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE

(DOLLARS IN THOUSANDS)
Massachusetts

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	22620	23545	21440	67605
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	4137	12984	18634	35755
CETA	119600	111086	93270	323956
Child Abuse	130	185	174	489
Child Nutrition	80128	93977	83441	257546
Child Welfare	1548	1453	4023	7024
Community Development Block Grant	106452	109742	106541	322735
Community Facility Loans	6103	4084	3538	13725
Community Services Block Grant	10760	10426	10255	31441
Construction Safety	6298	2805	8591	17694
Emergency Assistance	2351	2962	2470	7783
Family Planning	3024	3812	3833	10669
Foster Care	617	650	3741	5008
General Revenue Sharing (Local Grants)	144951	142725	143246	430922
Grants-In-Aid For Airports	8483	9125	6745	24353
Highway Related Safety Grants	614	615	616	1845
Interstate Transfers - Highways	0	0	0	0
Legal Services	7987	8010	8776	24773
Low Income Home Energy	8693	76084	77363	162140
Maternal & Child Health Block Grant	7745	7989	8053	23787
Migrant Health Clinics	68	69	59	196
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	4748	3360	2329	10437
Prevention Block Grant	3021	4143	2610	9774
Primary Care Block Grant	5451	6566	6420	18437
Primary Care Research And Development	219	0	0	219
Primary Highway System	33083	18183	35726	86992
Rehabilitation Services	22692	22963	22969	68624
Runaway Youths	153	155	242	550
Rural & Small Urban Transportation	5035	8793	3816	17644
Rural Water And Waste Disposal Grants	3496	2710	1810	8016
Social Services Block Grant	87818	79555	52505	219878
State Block Grant (ECIA Chapter 2)	28803	18180	12072	59055
State & Community Highway Safety	3711	4274	3751	11736
Urban Development Action Grants	54423	50391	48809	153623
Urban,Mass Transit	312172	347967	327189	987328
Urbanized Area Transportation	21797	28249	38558	88604
Vocational & Adult Education	2290	20635	38443	61368
Waste Water Treatment Grants	150157	90615	118993	359765
Water And Sewer Facility Loans	19943	10363	9158	39464
WIN	9214	10062	10944	30220
Women, Infants, And Children (WIC)	9769	13264	15023	38056
TOTAL	1320301	1362755	1356177	4039236

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Michigan

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	13996	19479	15286	48761
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	125	37	162
Bridges	4664	7212	20976	32852
CETA	153600	180033	209043	542676
Child Abuse	209	303	290	802
Child Nutrition	98631	112134	120249	331014
Child Welfare	2531	2531	8102	13164
Community Development Block Grant	152830	159231	153888	465949
Community Facility Loans	9369	6518	7778	23665
Community Services Block Grant	14172	14559	14787	43518
Construction Safety	14387	13968	16453	44808
Emergency Assistance	6441	8264	8037	22742
Family Planning	4225	6528	5847	16600
Foster Care	11631	15459	14583	41673
General Revenue Sharing (Local Grants)	191470	196317	191528	579315
Grants-In-Aid For Airports	16915	17782	12595	47292
Highway Related Safety Grants	1076	1077	1080	3233
Interstate Transfers - Highways	0	0	0	0
Legal Services	7321	8240	8894	24455
Low Income Home Energy	8616	90398	101631	200645
Maternal & Child Health Block Grant	12081	11589	12881	36551
Migrant Health Clinics	1651	1895	2105	5651
OSHA State Grants (Operational Grants)	4504	4648	4904	14056
Other Highways	12019	7703	7839	27561
Prevention Block Grant	5773	6514	3891	16178
Primary Care Block Grant	5462	7238	6677	19377
Primary Care Research And Development	190	190	112	492
Primary Highway System	53855	51146	48966	153967
Rehabilitation Services	30670	31178	31408	93256
Runaway Youths	296	328	435	1059
Rural & Small Urban Transportation	7872	13487	11357	32716
Rural Water And Waste Disposal Grants	7957	8345	6055	22357
Social Services Block Grant	135343	87245	135316	357904
State Block Grant (ECIA Chapter 2)	33758	29995	21811	85564
State & Community Highway Safety	6506	7485	6572	20563
Urban Development Action Grants	35165	73306	60452	168923
Urban Mass Transit	75358	86682	88378	250418
Urbanized Area Transportation	24689	38804	52732	116225
Vocational & Adult Education	2452	62200	29489	94141
Waste Water Treatment Grants	150875	239814	116345	507034
Water And Sewer Facility Loans	26905	19485	22243	68633
WIN	24575	28430	25544	78549
Women, Infants, And Children (WIC)	23574	33275	38597	95446
TOTAL	1393614	1711138	1645192	4749947

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Minnesota

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	4857	5087	3062	13006
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	22723	20571	20523	63817
CETA	49500	48778	50417	148695
Child Abuse	104	151	145	400
Child Nutrition	51984	57229	63382	172595
Child Welfare	1192	1209	2782	5183
Community Development Block Grant	61441	63633	62196	187270
Community Facility Loans	8167	5105	7684	20956
Community Services Block Grant	4070	4887	4590	13547
Construction Safety	5078	7977	6633	19688
Emergency Assistance	1814	1690	1366	4870
Family Planning	1269	1752	1915	4936
Foster Care	2936	3073	3447	9456
General Revenue Sharing (Local Grants)	91319	90792	91961	274072
Grants-In-Aid For Airports	9192	8388	6564	24144
Highway Related Safety Grants	589	588	590	1767
Interstate Transfers - Highways	12694	2621	7300	22615
Legal Services	3691	4202	4437	12330
Low Income Home Energy	8841	62937	73414	145192
Maternal & Child Health Block Grant	5180	5906	7124	18210
Migrant Health Clinics	613	657	676	1946
OSHA State Grants (Operational Grants)	1158	1241	1247	3646
Other Highways	5991	4380	3787	14158
Prevention Block Grant	2390	2700	2451	7541
Primary Care Block Grant	3559	3129	3163	9851
Primary Care Research And Development	253	0	0	253
Primary Highway System	40840	38835	27838	107513
Rehabilitation Services	17598	16917	17083	51598
Runaway Youths	159	102	185	446
Rural & Small Urban Transportation	9130	5544	9734	24408
Rural Water And Waste Disposal Grants	7588	6290	3911	17789
Social Services Block Grant	59502	33764	56978	150244
State Block Grant (ECIA Chapter 2)	12424	10197	7236	29857
State & Community Highway Safety	3561	4084	3590	11235
Urban Development Action Grants	12577	29345	35423	77345
Urban Mass Transit	19524	29338	24183	73045
Urbanized Area Transportation	15785	9378	5981	31144
Vocational & Adult Education	1145	15049	27922	44116
Waste Water Treatment Grants	99948	67393	46826	214167
Water And Sewer Facility Loans	16033	10560	14832	41425
WIN	9548	6509	6501	22558
Women, Infants, And Children (WIC)	8047	11332	16070	35449
TOTAL	694014	703320	735148	2132483

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Mississippi

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	7942	5617	5069	18628
Appalachian Highways	7515	10520	7943	25978
Black Lung Clinics	0	0	0	0
Bridges	3295	6014	7005	16314
CETA	44400	49706	41122	135228
Child Abuse	77	116	112	305
Child Nutrition	74244	84211	83151	241606
Child Welfare	1019	919	2420	4358
Community Development Block Grant	38908	39785	38548	117241
Community Facility Loans	11992	7602	8139	27733
Community Services Block Grant	6197	6499	5865	18561
Construction Safety	3263	1151	6520	10934
Emergency Assistance	0	0	0	0
Family Planning	2930	2999	3153	9082
Foster Care	1146	1021	1287	3454
General Revenue Sharing (Local Grants)	66635	63314	62098	192047
Grants-In-Aid For Airports	6006	6539	1937	14482
Highway Related Safety Grants	337	338	339	1014
Interstate Transfers - Highways	0	0	0	0
Legal Services	5801	6856	7361	20018
Low Income Home Energy	728	9635	13583	23946
Maternal & Child Health Block Grant	6389	5914	6552	18855
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	4656	1370	4221	10247
Prevention Block Grant	2023	2519	1459	6001
Primary Care Block Grant	9259	11118	11621	31998
Primary Care Research And Development	814	225	100	1139
Primary Highway System	18117	15090	26783	59990
Rehabilitation Services	15140	14996	15345	45481
Runaway Youths	75	77	128	280
Rural & Small Urban Transportation	6719	7039	9150	22908
Rural Water And Waste Disposal Grants	9688	10697	7226	27611
Social Services Block Grant	38270	19778	27301	85349
State Block Grant (ECIA Chapter 2)	12338	10274	8298	30910
State & Community Highway Safety	2035	784	2069	4888
Urban Development Action Grants	5619	9045	925	15589
Urban Mass Transit	0	3225	2145	5370
Urbanized Area Transportation	4295	4595	4754	13644
Vocational & Adult Education	1053	10997	20656	32706
Waste Water Treatment Grants	54389	31641	33866	119896
Water And Sewer Facility Loans	16550	19872	24507	60929
WIN	3419	3002	3044	9465
Women, Infants, And Children (WIC)	11491	15050	19774	46315
TOTAL	504772	500149	525576	1530500

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Missouri

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	10713	9802	9001	29516
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	26639	7970	20831	55440
CETA	66600	70291	72903	209794
Child Abuse	116	58	162	336
Child Nutrition	61921	75845	75412	213178
Child Welfare	1534	1535	4602	7671
Community Development Block Grant	86842	91070	87513	265425
Community Facility Loans	7174	8526	8613	24313
Community Services Block Grant	6969	11612	8521	27102
Construction Safety	8317	9531	12397	30245
Emergency Assistance	0	7	104	111
Family Planning	3214	3747	3901	10862
Foster Care	1517	1445	723	3685
General Revenue Sharing (Local Grants)	84278	82282	82722	249282
Grants-In-Aid For Airports	22681	26255	16776	65712
Highway Related Safety Grants	663	663	664	1990
Interstate Transfers - Highways	0	0	0	0
Legal Services	4526	5336	6386	16248
Low Income Home Energy	7537	32349	42760	82646
Maternal & Child Health Block Grant	8141	7387	8566	24094
Migrant Health Clinics	102	109	118	329
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	9698	4318	5171	19187
Prevention Block Grant	2852	3245	2449	8546
Primary Care Block Grant	10703	10385	11006	32094
Primary Care Research And Development	483	485	700	1668
Primary Highway System	34922	38040	26297	99259
Rehabilitation Services	19108	21422	21999	62529
Runaway Youths	201	244	229	674
Rural & Small Urban Transportation	12826	8321	8692	29839
Rural Water And Waste Disposal Grants	8824	8614	5905	23343
Social Services Block Grant	70170	59669	52596	182435
State Block Grant (ECIA Chapter 2)	20246	27805	18689	66740
State & Community Highway Safety	4008	4561	4091	12660
Urban Development Action Grants	2109	21822	22709	46640
Urban Mass Transit	35357	66877	60557	162791
Urbanized Area Transportation	16021	23612	15701	55334
Vocational & Adult Education	1388	18743	34741	54872
Waste Water Treatment Grants	77765	144068	67745	289578
Water And Sewer Facility Loans	2296	20291	21085	43672
WIN	6483	5132	5587	17202
Women, Infants, And Children (WIC)	10507	14229	18723	43459
TOTAL	755452	947702	867347	2570501

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Montana

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	2953	2450	2247	7650
Appalachian Highways	0	0	0	0
Black Lung Clinics	C	0	0	0
Bridges	1135	1578	3693	6406
CETA	12900	12540	12049	37489
Child Abuse	41	60	59	160
Child Nutrition	10963	11383	11565	33911
Child Welfare	376	310	866	1552
Community Development Block Grant	9463	9410	8815	27688
Community Facility Loans	3210	1020	1140	5370
Community Services Block Grant	1260	1560	1473	4293
Construction Safety	925	2406	2048	5379
Emergency Assistance	27	22	32	81
Family Planning	789	1214	898	2901
Foster Care	476	508	609	1593
General Revenue Sharing (Local Grants)	17374	18016	17238	52628
Grants-In-Aid For Airports	5650	6999	3796	16445
Highway Related Safety Grants	190	190	189	569
Interstate Transfers - Highways	0	0	0	0
Legal Services	942	1149	1192	3283
Low Income Home Energy	1444	9315	13564	24323
Maternal & Child Health Block Grant	1500	1453	1717	4670
Migrant Health Clinics	40	76	80	196
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	4419	16153	4096	24668
Prevention Block Grant	1443	1626	649	3718
Primary Care Block Grant	477	70	194	741
Primary Care Research And Development	629	801	255	1685
Primary Highway System	8014	6585	32819	47418
Rehabilitation Services	3256	3473	3574	10303
Runaway Youths	0	0	0	0
Rural & Small Urban Transportation	3432	6738	10672	20842
Rural Water And Waste Disposal Grants	1293	1453	1085	3831
Social Services Block Grant	11432	6830	12042	30304
State Block Grant (ECIA Chapter 2)	4349	3543	2856	10748
State & Community Highway Safety	1146	1302	1165	3613
Urban Development Action Grants	0	700	3215	3915
Urban Mass Transit	703	1922	3059	5684
Urbanized Area Transportation	2733	5369	4208	12310
Vocational & Adult Education	1885	4548	4652	11085
Waste Water Treatment Grants	17068	19032	19717	55817
Water And Sewer Facility Loans	1932	3763	4135	9830
WIN	2058	1249	1605	4912
Women, Infants, And Children (WIC)	3996	4381	4566	12943
TOTAL	141923	171196	197833	510954

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Nebraska

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	4839	4528	2604	11971
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	12615	14555	14420	41590
CETA	16200	15640	14678	46518
Child Abuse	55	81	78	214
Child Nutrition	16716	19773	20366	56855
Child Welfare	479	495	1451	2425
Community Development Block Grant	18090	19770	19457	57317
Community Facility Loans	266	1164	2055	3485
Community Services Block Grant	2905	2410	2090	7405
Construction Safety	2831	8845	6927	18603
Emergency Assistance	146	161	168	475
Family Planning	1055	1172	1149	3376
Foster Care	871	975	971	2817
General Revenue Sharing (Local Grants)	28554	31437	31917	91908
Grants-In-Aid For Airports	8021	4945	3368	16334
Highway Related Safety Grants	306	306	306	918
Interstate Transfers - Highways	0	16535	4200	20735
Legal Services	1506	1871	1936	5313
Low Income Home Energy	1922	12523	16997	31442
Maternal & Child Health Block Grant	3097	2786	3020	8903
Migrant Health Clinics	136	140	156	432
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	1684	2458	2276	6418
Prevention Block Grant	1918	1969	1645	5532
Primary Care Block Grant	456	620	558	1634
Primary Care Research And Development	0	0	0	0
Primary Highway System	16505	20411	24826	61742
Rehabilitation Services	5959	6013	6215	18187
Runaway Youths	85	117	71	273
Rural & Small Urban Transportation	8132	5656	4687	18475
Rural Water And Waste Disposal Grants	3164	3401	2436	9001
Social Services Block Grant	24065	20784	16913	61762
State Block Grant (ECIA Chapter 2)	7761	5890	3837	17488
State & Community Highway Safety	1853	2128	1861	5842
Urban Development Action Grants	400	0	350	750
Urban Mass Transit	3444	14369	18895	36708
Urbanized Area Transportation	6450	2156	4689	13295
Vocational & Adult Education	784	11923	5723	18430
Waste Water Treatment Grants	13303	32149	10512	55964
Water And Sewer Facility Loans	4648	4252	8388	17288
WIN	1355	875	1228	3458
Women, Infants, And Children (WIC)	2765	4252	5534	12551
TOTAL	225340	299535	268957	793834

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE

(DOLLARS IN THOUSANDS)

Nevada

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	4325	3819	2572	10716
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	105	1338	1939	3382
CETA	9900	9679	8761	28340
Child Abuse	0	0	57	57
Child Nutrition	7401	8058	9003	24462
Child Welfare	236	262	573	1071
Community Development Block Grant	6564	7166	6943	20673
Community Facility Loans	230	0	75	305
Community Services Block Grant	756	823	850	2429
Construction Safety	778	3750	1117	5645
Emergency Assistance	0	0	0	0
Family Planning	686	710	731	2127
Foster Care	332	351	446	1129
General Revenue Sharing (Local Grants)	11352	11531	13787	36670
Grants-In-Aid For Airports	9711	8727	13638	32076
Highway Related Safety Grants	141	139	139	419
Interstate Transfers - Highways	0	0	0	0
Legal Services	370	534	515	1419
Low Income Home Energy	386	3062	3596	7044
Maternal & Child Health Block Grant	804	795	895	2494
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	541	449	508	1498
Other Highways	4061	3259	4244	11564
Prevention Block Grant	762	631	352	1745
Primary Care Block Grant	455	1065	1187	2707
Primary Care Research And Development	0	0	0	0
Primary Highway System	10217	12792	13248	36257
Rehabilitation Services	3379	3337	3510	10226
Runaway Youths	78	79	33	190
Rural & Small Urban Transportation	5481	6208	1014	12703
Rural Water And Waste Disposal Grants	326	371	120	817
Social Services Block Grant	7019	6673	6420	20112
State Block Grant (ECIA Chapter 2)	2344	2137	1747	6228
State & Community Highway Safety	835	965	850	2650
Urban Development Action Grants	0	0	0	0
Urban Mass Transit	0	4063	3617	7680
Urbanized Area Transportation	2379	648	4986	8013
Vocational & Adult Education	1860	2466	2371	6697
Waste Water Treatment Grants	11810	12850	18465	43125
Water And Sewer Facility Loans	408	5120	2223	7751
WIN	1405	846	1003	3254
Women, Infants, And Children (WIC)	2563	3302	4282	10147
TOTAL	108999	128005	135817	373822

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
New Hampshire

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	5858	5915	4170	15943
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	6153	5053	6581	17787
CETA	9700	9843	8631	28174
Child Abuse	42	62	61	165
Child Nutrition	10836	12233	12659	35728
Child Welfare	290	289	681	1260
Community Development Block Grant	8999	9332	9055	27386
Community Facility Loans	2019	845	1190	4054
Community Services Block Grant	1010	1056	1075	3141
Construction Safety	1472	2271	2226	5969
Emergency Assistance	0	0	0	0
Family Planning	408	459	485	1352
Foster Care	537	640	718	1895
General Revenue Sharing (Local Grants)	15573	15516	15259	46348
Grants-In-Aid For Airports	1768	1124	843	3735
Highway Related Safety Grants	138	139	139	416
Interstate Transfers - Highways	0	0	0	0
Legal Services	816	799	884	2499
Low Income Home Energy	3436	13234	14635	31305
Maternal & Child Health Block Grant	1600	1613	1524	4737
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	2245	1955	2294	6494
Prevention Block Grant	883	1256	1416	3555
Primary Care Block Grant	110	161	162	433
Primary Care Research And Development	193	137	60	390
Primary Highway System	6067	5967	14808	26842
Rehabilitation Services	3720	3930	4096	11746
Runaway Youths	59	58	41	158
Rural & Small Urban Transportation	1864	1886	2369	6119
Rural Water And Waste Disposal Grants	1125	1190	824	3139
Social Services Block Grant	9293	11069	12492	32854
State Block Grant (ECIA Chapter 2)	4965	2779	2381	10125
State & Community Highway Safety	835	965	850	2650
Urban Development Action Grants	650	1325	7500	9475
Urban Mass Transit	391	1428	1292	3111
Urbanized Area Transportation	3595	4850	4697	13142
Vocational & Adult Education	303	6520	3315	10138
Waste Water Treatment Grants	33467	39217	22218	94902
Water And Sewer Facility Loans	6560	2760	3044	12364
WIN	808	688	773	2269
Women, Infants, And Children (WIC)	1676	2169	3827	7672
TOTAL	149463	170733	169274	489472

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE

(DOLLARS IN THOUSANDS)

New Jersey

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	22762	25284	22691	70737
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	4699	8440	21936	35075
CETA	121500	120176	129537	371313
Child Abuse	158	232	220	610
Child Nutrition	96250	107400	108246	311896
Child Welfare	1665	1632	5276	8573
Community Development Block Grant	119956	126482	125011	371449
Community Facility Loans	4379	3909	3959	12247
Community Services Block Grant	10496	10541	9839	30876
Construction Safety	6726	9370	11865	27961
Emergency Assistance	1090	1294	1241	3625
Family Planning	4920	5785	5327	16032
Foster Care	661	760	1100	2521
General Revenue Sharing (Local Grants)	150468	151058	149953	451479
Grants-In-Aid For Airports	4751	9616	16242	30609
Highway Related Safety Grants	758	759	761	2278
Interstate Transfers - Highways	0	0	2700	2700
Legal Services	5741	6341	6530	18612
Low Income Home Energy	5149	66656	71827	143632
Maternal & Child Health Block Grant	7048	7435	7863	22346
Migrant Health Clinics	75	156	282	513
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	3202	30963	6196	40361
Prevention Block Grant	3217	3901	2744	9862
Primary Care Block Grant	4148	7488	7119	18755
Primary Care Research And Development	466	100	0	566
Primary Highway System	22962	46416	47423	116801
Rehabilitation Services	20561	20939	21629	63129
Runaway Youths	240	261	318	819
Rural & Small Urban Transportation	3271	1069	8287	12627
Rural Water And Waste Disposal Grants	2567	2667	1685	6919
Social Services Block Grant	118518	77399	104231	300148
State Block Grant (ECIA Chapter 2)	27682	24755	16935	69372
State & Community Highway Safety	4581	5274	4631	14486
Urban Development Action Grants	28751	26513	24686	79950
Urban Mass Transit	185364	231155	240553	657072
Urbanized Area Transportation	35480	19559	38490	93529
Vocational & Adult Education	18259	43864	21566	83689
Waste Water Treatment Grants	97821	197497	181284	476602
Water And Sewer Facility Loans	45574	5875	9597	61046
WIN	14498	12238	13697	40433
Women, Infants, And Children (WIC)	11358	16281	19711	47350
TOTAL	1217872	1437540	1473189	4128600

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
New Mexico

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	7303	7768	6073	21144
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	50	50	100
Bridges	1935	843	1867	4645
CETA	20400	16521	23005	59926
Child Abuse	51	77	76	204
Child Nutrition	26597	27928	30836	85361
Child Welfare	470	510	1202	2182
Community Development Block Grant	16868	16300	17284	50452
Community Facility Loans	1369	660	223	2252
Community Services Block Grant	2437	2725	2026	7188
Construction Safety	2373	3385	2185	7943
Emergency Assistance	0	0	0	0
Family Planning	1250	2215	1912	5377
Foster Care	87	77	96	260
General Revenue Sharing (Local Grants)	28691	26928	29995	85614
Grants-In-Aid For Airports	6644	5544	5155	17343
Highway Related Safety Grants	188	188	188	564
Interstate Transfers - Highways	0	0	0	0
Legal Services	2094	2680	2874	7648
Low Income Home Energy	1467	6712	9597	17776
Maternal & Child Health Block Grant	2348	2559	2564	7471
Migrant Health Clinics	639	520	342	1501
OSHA State Grants (Operational Grants)	217	253	347	817
Other Highways	1674	5740	5305	12719
Prevention Block Grant	1490	2123	1429	5042
Primary Care Block Grant	4015	4879	4631	13525
Primary Care Research And Development	330	383	408	1121
Primary Highway System	15194	14238	52443	81875
Rehabilitation Services	6508	6452	6675	19635
Runaway Youths	114	150	64	328
Rural & Small Urban Transportation	2645	7633	3337	13615
Rural Water And Waste Disposal Grants	978	1411	1848	4237
Social Services Block Grant	21911	16785	13163	51859
State Block Grant (ECIA Chapter 2)	6799	4984	3960	15743
State & Community Highway Safety	1136	1309	1149	3594
Urban Development Action Grants	528	2874	3845	7247
Urban Mass Transit	96	381	10303	10780
Urbanized Area Transportation	3982	3362	3481	10825
Vocational & Adult Education	9648	1626	10954	22228
Waste Water Treatment Grants	13857	15211	23614	52682
Water And Sewer Facility Loans	1400	1693	9322	12415
WIN	1766	1320	1595	4681
Women, Infants, And Children (WIC)	3212	5148	7022	15382
TOTAL	220711	222144	302445	745301

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
New York

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	52415	54014	47025	153454
Appalachian Highways	12338	11281	12188	35807
Black Lung Clinics	0	0	0	0
Bridges	59768	63046	81538	204352
CETA	303700	285329	360487	949516
Child Abuse	338	451	467	1256
Child Nutrition	282438	316000	333501	931939
Child Welfare	4274	4335	13554	22163
Community Development Block Grant	410572	428349	417028	1255949
Community Facility Loans	10309	7958	8460	26727
Community Services Block Grant	34691	34891	35016	104598
Construction Safety	18274	20537	25452	64263
Emergency Assistance	9439	16532	22299	48270
Family Planning	9559	9650	10105	29314
Foster Care	95995	91630	152767	340392
General Revenue Sharing (Local Grants)	510097	497118	476425	1483640
Grants-In-Aid For Airports	34400	26364	13461	74225
Highway Related Safety Grants	1974	1974	1978	5926
Interstate Transfers - Highways	0	39283	16200	55483
Legal Services	20544	22884	23663	67091
Low Income Home Energy	19544	227764	234507	481815
Maternal & Child Health Block Grant	25716	26557	26813	79086
Migrant Health Clinics	428	491	633	1552
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	16253	8141	31767	56161
Prevention Block Grant	10128	10575	6562	27265
Primary Care Block Grant	32686	36383	34068	103137
Primary Care Research And Development	715	274	73	1062
Primary Highway System	104297	92753	107061	304111
Rehabilitation Services	59254	60633	58733	178620
Runaway Youths	674	733	780	2187
Rural & Small Urban Transportation	13749	14165	15542	43456
Rural Water And Waste Disposal Grants	11175	9885	7723	28783
Social Services Block Grant	287045	205598	245257	737900
State Block Grant (ECIA Chapter 2)	107129	73618	55118	235865
State & Community Highway Safety	11920	13720	12044	37684
Urban Development Action Grants	36440	44071	109474	189985
Urban Mass Transit	449473	699739	713437	1862649
Urbanized Area Transportation	60517	102295	96042	258854
Vocational & Adult Education	92575	13071	109892	215538
Waste Water Treatment Grants	426772	481492	422085	1330349
Water And Sewer Facility Loans	57245	28148	27531	112924
WIN	29736	34927	28522	93185
Women, Infants, And Children (WIC)	37179	52508	74863	164550
TOTAL	3761773	4169166	4470141	12401083

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
North Carolina

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	12713	11271	10664	34648
Appalachian Highways	4528	5138	8809	18475
Black Lung Clinics	0	0	0	0
Bridges	8257	20548	22932	51737
CETA	75200	78637	74434	228271
Child Abuse	132	194	189	515
Child Nutrition	125930	148145	149231	423306
Child Welfare	1782	1795	4291	7868
Community Development Block Grant	64449	66342	64600	195391
Community Facility Loans	11282	12050	13395	36727
Community Services Block Grant	10611	10714	10727	32052
Construction Safety	8557	11952	12364	32873
Emergency Assistance	0	0	0	0
Family Planning	3901	4081	4669	12651
Foster Care	700	690	2579	3969
General Revenue Sharing (Local Grants)	112675	112811	116431	341917
Grants-In-Aid For Airports	17487	14241	4305	36033
Highway Related Safety Grants	657	658	659	1974
Interstate Transfers - Highways	0	0	0	0
Legal Services	7083	10039	10009	27131
Low Income Home Energy	965	34331	34954	70250
Maternal & Child Health Block Grant	11178	11293	11654	34125
Migrant Health Clinics	584	647	655	1886
OSHA State Grants (Operational Grants)	1445	1585	1740	4770
Other Highways	3743	4417	4492	12652
Prevention Block Grant	3221	4245	2599	10065
Primary Care Block Grant	7560	8571	9533	25664
Primary Care Research And Development	350	87	27	464
Primary Highway System	54929	60265	55433	170627
Rehabilitation Services	27460	28781	28176	84417
Runaway Youths	82	84	257	423
Rural & Small Urban Transportation	15229	9494	12346	37069
Rural Water And Waste Disposal Grants	13135	15303	11132	39570
Social Services Block Grant	62113	80006	78759	220878
State Block Grant (ECIA Chapter 2)	19525	16565	11637	47727
State & Community Highway Safety	3973	4516	4073	12562
Urban Development Action Grants	1933	6137	7862	15932
Urban Mass Transit	7601	16681	27305	51587
Urbanized Area Transportation	9778	10918	13023	33719
Vocational & Adult Education	20476	46075	23180	89731
Waste Water Treatment Grants	73322	83375	99364	256061
Water And Sewer Facility Loans	35078	37013	38069	110160
WIN	4584	5095	4848	14527
Women, Infants, And Children (WIC)	22876	30279	34857	88012
TOTAL	867083	1025068	1026263	2918416

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
North Dakota

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	2220	1359	858	4437
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	2663	5303	8024	15990
CETA	8100	7552	6719	22371
Child Abuse	38	57	55	150
Child Nutrition	7881	9232	10972	28085
Child Welfare	240	258	727	1225
Community Development Block Grant	7673	8676	8003	24352
Community Facility Loans	1216	2263	1776	5255
Community Services Block Grant	672	851	1011	2534
Construction Safety	2893	3643	4115	10651
Emergency Assistance	0	0	0	0
Family Planning	448	615	582	1645
Foster Care	433	534	600	1567
General Revenue Sharing (Local Grants)	12649	12964	12261	37874
Grants-In-Aid For Airports	5027	3486	3996	12509
Highway Related Safety Grants	211	211	210	632
Interstate Transfers - Highways	0	0	0	0
Legal Services	751	1076	1178	3005
Low Income Home Energy	1262	11740	14727	27729
Maternal & Child Health Block Grant	1197	1137	1331	3665
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	1340	1547	1479	4366
Prevention Block Grant	532	874	244	1650
Primary Care Block Grant	0	290	172	462
Primary Care Research And Development	158	277	270	705
Primary Highway System	12627	12433	17739	42799
Rehabilitation Services	3257	3439	3323	10019
Runaway Youths	0	0	0	0
Rural & Small Urban Transportation	6420	4862	5915	17197
Rural Water And Waste Disposal Grants	1605	1785	1105	4495
Social Services Block Grant	9237	6269	9768	25274
State Block Grant (ECIA Chapter 2)	3122	3244	2115	8481
State & Community Highway Safety	1276	1466	1278	4020
Urban Development Action Grants	1017	45	181	1243
Urban Mass Transit	194	3473	5147	8814
Urbanized Area Transportation	2714	6079	3123	11916
Vocational & Adult Education	3106	3708	6261	13075
Waste Water Treatment Grants	10732	16264	13289	40285
Water And Sewer Facility Loans	4665	4050	3956	12671
WIN	1243	624	964	2831
Women, Infants, And Children (WIC)	2557	3117	3870	9544
TOTAL	121376	144803	157343	423523

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Ohio

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	28571	36512	28694	93777
Appalachian Highways	6796	3927	1000	11723
Black Lung Clinics	606	333	368	1307
Bridges	4703	34059	20490	59252
CETA	142500	162906	176806	482212
Child Abuse	226	337	321	884
Child Nutrition	118924	148541	152109	419574
Child Welfare	2901	2869	8285	14055
Community Development Block Grant	178214	187017	180168	545399
Community Facility Loans	2655	9282	8007	19944
Community Services Block Grant	14462	15371	15672	45505
Construction Safety	20743	13792	18241	52776
Emergency Assistance	7745	11385	11000	30130
Family Planning	4274	5587	6305	16166
Foster Care	2942	2919	3354	9215
General Revenue Sharing (Local Grants)	185162	184464	181707	551333
Grants-In-Aid For Airports	11706	17228	11167	40101
Highway Related Safety Grants	1235	1236	1238	3709
Interstate Transfers - Highways	0	16191	11000	27191
Legal Services	8266	9927	10286	28479
Low Income Home Energy	11184	86816	94711	192711
Maternal & Child Health Block Grant	14212	13863	15143	43218
Migrant Health Clinics	836	542	549	1927
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	5212	3219	9189	17620
Prevention Block Grant	5375	6908	4338	16621
Primary Care Block Grant	10640	13047	13998	37685
Primary Care Research And Development	223	0	0	223
Primary Highway System	70389	44727	63995	179111
Rehabilitation Services	40342	40901	41930	123173
Runaway Youths	659	728	492	1879
Rural & Small Urban Transportation	10785	20120	23492	54397
Rural Water And Waste Disposal Grants	9204	10434	6475	26113
Social Services Block Grant	140781	150862	106962	398605
State Block Grant (ECIA Chapter 2)	40430	48469	26217	115116
State & Community Highway Safety	7466	8591	7538	23595
Urban Development Action Grants	37705	22986	42235	102926
Urban Mass Transit	108098	131389	104198	343685
Urbanized Area Transportation	34282	41341	29023	104646
Vocational & Adult Education	8268	81589	41627	131484
Waste Water Treatment Grants	170303	273032	255143	698478
Water And Sewer Facility Loans	27222	22461	26566	76249
WIN	17226	19924	19536	56686
Women, Infants, And Children (WIC)	25200	36408	41229	102837
TOTAL	1538673	1942241	1820803	5301717

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Oklahoma

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	9004	10405	8974	28383
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	817	5564	3900	10281
CETA	36100	26121	30131	92352
Child Abuse	79	117	116	312
Child Nutrition	42205	45001	48100	135306
Child Welfare	854	854	2816	4524
Community Development Block Grant	36805	37322	37065	111192
Community Facility Loans	6238	4439	5100	15777
Community Services Block Grant	5034	5256	3838	14128
Construction Safety	7264	7587	6027	20878
Emergency Assistance	484	953	763	2200
Family Planning	2582	2446	2407	7435
Foster Care	736	673	1304	2713
General Revenue Sharing (Local Grants)	49599	51113	54108	154820
Grants-In-Aid For Airports	9383	14119	10045	33547
Highway Related Safety Grants	443	443	443	1329
Interstate Transfers - Highways	0	0	0	0
Legal Services	3285	4327	4430	12042
Low Income Home Energy	2003	12077	14561	28641
Maternal & Child Health Block Grant	4329	4542	4795	13666
Migrant Health Clinics	91	73	99	263
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	5075	4003	2809	11887
Prevention Block Grant	1610	1571	876	4057
Primary Care Block Grant	3256	3454	3544	10254
Primary Care Research And Development	70	0	0	70
Primary Highway System	19546	26088	24751	70385
Rehabilitation Services	13594	13088	13701	40383
Runaway Youths	219	215	130	564
Rural & Small Urban Transportation	6898	11968	9042	27908
Rural Water And Waste Disposal Grants	7238	7633	4703	19574
Social Services Block Grant	40321	40261	30107	110689
State Block Grant (ECIA Chapter 2)	8852	7246	5263	21361
State & Community Highway Safety	2679	3038	2735	8452
Urban Development Action Grants	1042	7364	14367	22773
Urban Mass Transit	2463	10992	6068	19523
Urbanized Area Transportation	4809	9095	5256	19160
Vocational & Adult Education	1295	21792	10998	34085
Waste Water Treatment Grants	28650	50726	38525	117901
Water And Sewer Facility Loans	27685	24365	17411	69461
WIN	2656	2106	2061	6823
Women, Infants, And Children (WIC)	8637	12288	17810	38735
TOTAL	403928	490725	449179	1343834

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Oregon

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	5579	5660	4417	15656
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	6095	3214	9089	18398
CETA	38300	37845	46874	123019
Child Abuse	0	0	0	0
Child Nutrition	26265	30090	31918	88273
Child Welfare	688	628	2134	3450
Community Development Block Grant	26417	27221	27601	81239
Community Facility Loans	1248	3465	2330	7043
Community Services Block Grant	2829	3232	3257	9318
Construction Safety	4802	2765	5342	12909
Emergency Assistance	374	1014	1202	2590
Family Planning	1486	2144	1962	5592
Foster Care	4212	3440	4480	12132
General Revenue Sharing (Local Grants)	50686	51807	53813	156306
Grants-In-Aid For Airports	10407	6813	5828	23048
Highway Related Safety Grants	390	397	406	1193
Interstate Transfers - Highways	18309	39822	43300	101431
Legal Services	2690	2966	3226	8882
Low Income Home Energy	842	20976	22976	44794
Maternal & Child Health Block Grant	3827	4014	4348	12189
Migrant Health Clinics	587	305	422	1314
OSHA State Grants (Operational Grants)	2672	2552	2956	8180
Other Highways	2441	13178	10282	25901
Prevention Block Grant	1713	1657	657	4027
Primary Care Block Grant	4334	5280	4332	13946
Primary Care Research And Development	114	200	102	416
Primary Highway System	18549	14489	45319	78357
Rehabilitation Services	9446	9649	9838	28933
Runaway Youths	128	173	111	412
Rural & Small Urban Transportation	9233	2872	6690	18795
Rural Water And Waste Disposal Grants	3245	4483	3198	10926
Social Services Block Grant	37458	25206	26897	89561
State Block Grant (ECIA Chapter 2)	6816	5965	4788	17569
State & Community Highway Safety	2356	2721	2510	7587
Urban Development Action Grants	500	3250	1572	5322
Urban Mass Transit	19405	35844	62903	118152
Urbanized Area Transportation	2458	3062	8458	13978
Vocational & Adult Education	118	9060	15933	25111
Waste Water Treatment Grants	76103	33617	42642	152362
Water And Sewer Facility Loans	10721	10145	9158	30024
WIN	9855	9338	9667	28860
Women, Infants, And Children (WIC)	7066	9132	10054	26252
TOTAL	430765	449692	552982	1433447

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Pennsylvania

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	32234	27763	27055	87052
Appalachian Highways	52488	51002	54390	157880
Black Lung Clinics	1549	850	1000	3399
Bridges	45079	30959	56388	132426
CETA	172500	266721	211609	650830
Child Abuse	0	0	0	0
Child Nutrition	139405	159066	161985	460456
Child Welfare	2970	3396	6845	13211
Community Development Block Grant	244448	251168	242754	738370
Community Facility Loans	9453	9676	10963	30092
Community Services Block Grant	15752	16706	12621	45079
Construction Safety	9745	14769	27031	51545
Emergency Assistance	280	171	149	600
Family Planning	6206	8130	7567	21903
Foster Care	8362	14946	50031	73339
General Revenue Sharing (Local Grants)	222244	222090	228315	672649
Grants-In-Aid For Airports	18134	24812	15590	58536
Highway Related Safety Grants	1359	1358	1361	4078
Interstate Transfers - Highways	0	18425	2000	20425
Legal Services	9186	10602	11527	31315
Low Income Home Energy	14435	109419	125974	249828
Maternal & Child Health Block Grant	16491	16879	17149	50519
Migrant Health Clinics	193	235	308	736
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	12833	30333	8855	52021
Prevention Block Grant	7427	9288	4538	21253
Primary Care Block Grant	11001	12129	13822	36952
Primary Care Research And Development	937	429	0	1366
Primary Highway System	71609	122761	125142	319512
Rehabilitation Services	46376	45467	46560	138403
Runaway Youths	308	323	526	1157
Rural & Small Urban Transportation	6718	27551	17221	51490
Rural Water And Waste Disposal Grants	12800	12905	8728	34433
Social Services Block Grant	168381	147974	132806	449161
State Block Grant (ECIA Chapter 2)	35969	31218	23091	90278
State & Community Highway Safety	8212	9444	8285	25941
Urban Development Action Grants	36866	42156	51085	130107
Urban Mass Transit	280344	333380	394946	1008670
Urbanized Area Transportation	28897	56517	85650	171064
Vocational & Adult Education	2960	81453	39646	124059
Waste Water Treatment Grants	227241	169819	119018	516078
Water And Sewer Facility Loans	44929	30155	32933	108017
WIN	15648	13701	15543	44892
Women, Infants, And Children (WIC)	20317	22704	34134	77155
TOTAL	2062284	2458850	2435142	6956277

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Rhode Island

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	5080	5851	5194	16125
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	721	2119	4766	7606
CETA	16300	20725	19952	56977
Child Abuse	42	61	60	163
Child Nutrition	11514	13000	13208	37722
Child Welfare	288	304	834	1426
Community Development Block Grant	18018	18378	17792	54188
Community Facility Loans	1320	310	1934	3564
Community Services Block Grant	2127	2423	2042	6592
Construction Safety	1242	2966	2453	6661
Emergency Assistance	0	0	0	0
Family Planning	330	409	391	1130
Foster Care	0	345	393	738
General Revenue Sharing (Local Grants)	19596	19661	20192	59449
Grants-In-Aid For Airports	3893	1173	2778	7844
Highway Related Safety Grants	138	139	139	416
Interstate Transfers - Highways	0	0	0	0
Legal Services	863	945	1044	2852
Low Income Home Energy	1435	11792	12734	25961
Maternal & Child Health Block Grant	1133	1140	1220	3493
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	2111	1036	1296	4443
Prevention Block Grant	661	1195	457	2313
Primary Care Block Grant	1841	2419	2611	6871
Primary Care Research And Development	188	0	0	188
Primary Highway System	7637	5059	11483	24179
Rehabilitation Services	4121	4626	4702	13449
Runaway Youths	47	48	39	134
Rural & Small Urban Transportation	2174	2890	3148	8212
Rural Water And Waste Disposal Grants	548	506	270	1324
Social Services Block Grant	13913	12122	10438	36473
State Block Grant (ECIA Chapter 2)	3180	3668	2861	9709
State & Community Highway Safety	835	965	850	2650
Urban Development Action Grants	0	1502	1021	2523
Urban Mass Transit	4124	8990	13420	26534
Urbanized Area Transportation	3256	5998	9033	18287
Vocational & Adult Education	3020	7077	3537	13634
Waste Water Treatment Grants	30791	21552	8528	60871
Water And Sewer Facility Loans	706	895	955	2556
WIN	2026	2043	2031	6100
Women, Infants, And Children (WIC)	2604	3377	4999	10980
TOTAL	167821	187709	188804	544337

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
South Carolina

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	8066	7720	7249	23035
Appalachian Highways	1520	1501	3040	6061
Black Lung Clinics	0	0	0	0
Bridges	6629	7130	18174	31933
CETA	44200	47566	44192	135958
Child Abuse	85	126	124	335
Child Nutrition	70403	75730	83245	229378
Child Welfare	1002	1002	3394	5398
Community Development Block Grant	35489	38028	37010	110527
Community Facility Loans	17623	12045	8128	37796
Community Services Block Grant	5679	6412	6170	18261
Construction Safety	5173	3759	6084	15016
Emergency Assistance	0	0	0	0
Family Planning	3550	4237	3856	11643
Foster Care	594	625	703	1922
General Revenue Sharing (Local Grants)	61429	61044	65886	188359
Grants-In-Aid For Airports	6481	10448	4539	21468
Highway Related Safety Grants	361	361	362	1084
Interstate Transfers - Highways	0	0	0	0
Legal Services	3598	4844	5851	14293
Low Income Home Energy	389	12405	12586	25380
Maternal & Child Health Block Grant	7329	7291	8216	22836
Migrant Health Clinics	408	451	1134	1993
OSHA State Grants (Operational Grants)	1982	0	1050	3032
Other Highways	7603	3578	2057	13238
Prevention Block Grant	2873	2508	1568	6949
Primary Care Block Grant	8671	10220	8966	27857
Primary Care Research And Development	184	161	0	345
Primary Highway System	14717	20971	19781	55469
Rehabilitation Services	16004	15517	15789	47310
Runaway Youths	78	80	144	302
Rural & Small Urban Transportation	6656	4969	6663	18288
Rural Water And Waste Disposal Grants	7851	7312	4766	19929
Social Services Block Grant	43150	27669	40142	110961
State Block Grant (ECIA Chapter 2)	12801	10133	6888	29822
State & Community Highway Safety	2184	2512	2206	6902
Urban Development Action Grants	3403	2212	17805	23420
Urban Mass Transit	161	2630	2219	5010
Urbanized Area Transportation	5479	4178	5513	15170
Vocational & Adult Education	825	25346	13069	39240
Waste Water Treatment Grants	54312	45741	52134	152187
Water And Sewer Facility Loans	34839	21467	21911	78217
WIN	2872	3278	2854	9004
Women, Infants, And Children (WIC)	15216	19845	21696	56757
TOTAL	521866	533052	567164	1622085

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE

(DOLLARS IN THOUSANDS)

South Dakota

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	3669	3944	2746	10359
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	1961	4898	1874	8733
CETA	9000	7364	6769	23133
Child Abuse	39	57	56	152
Child Nutrition	12054	11974	13454	37482
Child Welfare	299	323	803	1425
Community Development Block Grant	9938	9804	9403	29145
Community Facility Loans	5549	2355	3626	11530
Community Services Block Grant	990	1283	999	3272
Construction Safety	3717	2288	3384	9389
Emergency Assistance	0	0	0	0
Family Planning	424	517	598	1539
Foster Care	447	706	497	1650
General Revenue Sharing (Local Grants)	15331	15545	15466	46342
Grants-In-Aid For Airports	4563	2737	3205	10505
Highway Related Safety Grants	193	192	192	577
Interstate Transfers - Highways	0	0	0	0
Legal Services	1427	1594	1822	4843
Low Income Home Energy	1147	9827	11977	22951
Maternal & Child Health Block Grant	1454	1490	1648	4592
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	3737	1758	2762	8257
Prevention Block Grant	550	597	218	1365
Primary Care Block Grant	1071	967	1280	3318
Primary Care Research And Development	0	226	67	293
Primary Highway System	13736	14150	19659	47545
Rehabilitation Services	3090	3116	3368	9574
Runaway Youths	159	178	130	467
Rural & Small Urban Transportation	5108	4227	9542	18877
Rural Water And Waste Disposal Grants	5370	2278	2951	10599
Social Services Block Grant	10247	8708	10449	29404
State Block Grant (ECIA Chapter 2)	3058	2356	2034	7448
State & Community Highway Safety	1167	1339	1170	3676
Urban Development Action Grants	0	3482	2100	5582
Urban Mass Transit	79	3982	1743	5804
Urbanized Area Transportation	5281	1114	4300	10695
Vocational & Adult Education	643	3585	3561	7789
Waste Water Treatment Grants	20638	16112	23921	60671
Water And Sewer Facility Loans	15052	8493	6413	29958
WIN	1809	1234	1479	4522
Women, Infants, And Children (WIC)	2662	3485	4572	10719
TOTAL	165658	158284	180237	504182

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Tennessee

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	8915	7871	7499	24285
Appalachian Highways	33513	31771	22228	87512
Black Lung Clinics	359	300	421	1080
Bridges	10471	20712	15275	46458
CETA	59100	75620	72021	206741
Child Abuse	108	159	156	423
Child Nutrition	77574	82354	88812	248740
Child Welfare	1590	1631	4241	7462
Community Development Block Grant	62349	64118	62013	188480
Community Facility Loans	8131	9390	8999	26520
Community Services Block Grant	7143	8000	7744	22887
Construction Safety	7394	8516	10623	26533
Emergency Assistance	0	0	0	0
Family Planning	4045	4669	4679	13393
Foster Care	2255	2185	2547	6987
General Revenue Sharing (Local Grants)	84334	87943	86841	259118
Grants-In-Aid For Airports	9072	10521	8892	28485
Highway Related Safety Grants	526	526	528	1580
Interstate Transfers - Highways	0	0	0	0
Legal Services	5845	7588	7950	21383
Low Income Home Energy	664	22351	25560	48575
Maternal & Child Health Block Grant	7522	7674	7805	23001
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	1040	1057	1069	3166
Other Highways	15874	7080	4048	27002
Prevention Block Grant	2617	2765	1522	6904
Primary Care Block Grant	7054	10044	9400	26498
Primary Care Research And Development	527	23	0	550
Primary Highway System	28537	21681	32961	83179
Rehabilitation Services	20626	21980	22385	64991
Runaway Youths	192	199	199	590
Rural & Small Urban Transportation	10006	11582	10566	32154
Rural Water And Waste Disposal Grants	10384	9653	7320	27357
Social Services Block Grant	56528	57932	43369	157829
State Block Grant (ECIA Chapter 2)	13588	11737	9006	34331
State & Community Highway Safety	3181	3611	3222	10014
Urban Development Action Grants	7766	21316	5890	34972
Urban Mass Transit	17104	22429	26664	66197
Urbanized Area Transportation	14698	12481	10619	37798
Vocational & Adult Education	1171	18086	34371	53628
Waste Water Treatment Grants	74259	40864	42092	157215
Water And Sewer Facility Loans	39671	27792	26940	94403
WIN	3948	3301	3468	10717
Women, Infants, And Children (WIC)	17436	23890	27890	69216
TOTAL	737115	783402	767835	2288354

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Texas

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	24468	23178	18168	65814
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	7377	39551	28676	75604
CETA	149700	127447	150742	427889
Child Abuse	284	435	432	1151
Child Nutrition	235056	260182	288183	783421
Child Welfare	3807	3682	9633	17122
Community Development Block Grant	197720	207419	201532	606671
Community Facility Loans	3872	12734	12423	29029
Community Services Block Grant	18360	18268	18106	54734
Construction Safety	25672	28195	18044	71911
Emergency Assistance	0	0	0	0
Family Planning	9050	9885	9741	28676
Foster Care	1638	1364	6536	9538
General Revenue Sharing (Local Grants)	225092	221277	225371	671740
Grants-In-Aid For Airports	34299	34322	27424	96045
Highway Related Safety Grants	1548	1551	1559	4658
Interstate Transfers - Highways	0	0	0	0
Legal Services	16320	19093	21067	56480
Low Income Home Energy	3976	27566	41727	73269
Maternal & Child Health Block Grant	17738	17096	18582	53416
Migrant Health Clinics	6535	7977	7916	22428
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	5890	11440	8324	25654
Prevention Block Grant	5950	6339	3674	[illegible]
Primary Care Block Grant	8947	12159	11335	32441
Primary Care Research And Development	200	0	0	200
Primary Highway System	76459	92979	78770	248208
Rehabilitation Services	53967	52929	54404	161300
Runaway Youths	679	754	667	2100
Rural & Small Urban Transportation	17925	16573	29601	64099
Rural Water And Waste Disposal Grants	15817	18113	14004	47934
Social Services Block Grant	216744	173480	146371	536595
State Block Grant (ECIA Chapter 2)	53278	47268	29349	129895
State & Community Highway Safety	9355	10139	9332	28826
Urban Development Action Grants	20148	24976	31081	76205
Urban Mass Transit	33887	99503	63150	196540
Urbanized Area Transportation	44268	50215	50556	145039
Vocational & Adult Education	4281	94561	47427	146269
Waste Water Treatment Grants	106721	209271	217062	533054
Water And Sewer Facility Loans	50372	45062	44390	139824
WIN	10947	9449	9040	29436
Women, Infants, And Children (WIC)	37050	44383	49627	131060
TOTAL	1755396	2080815	2004026	5840238

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Utah

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	5558	3975	3215	12748
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	74	75	149
Bridges	1297	1951	850	4098
CETA	13700	14127	14576	42403
Child Abuse	56	87	87	230
Child Nutrition	17706	20901	22664	61271
Child Welfare	530	545	1763	2838
Community Development Block Grant	17086	18133	17769	52988
Community Facility Loans	300	593	3831	4724
Community Services Block Grant	1371	1783	1715	4869
Construction Safety	1055	2247	3215	6517
Emergency Assistance	0	0	0	0
Family Planning	554	697	731	1982
Foster Care	396	322	807	1525
General Revenue Sharing (Local Grants)	28160	28422	32527	89109
Grants-In-Aid For Airports	5090	3556	3958	12604
Highway Related Safety Grants	182	185	185	552
Interstate Transfers - Highways	0	0	0	0
Legal Services	1067	1166	1231	3464
Low Income Home Energy	1288	7701	13786	22775
Maternal & Child Health Block Grant	3514	3792	4509	11815
Migrant Health Clinics	212	271	278	761
OSHA State Grants (Operational Grants)	528	586	623	1737
Other Highways	3445	8357	4704	16506
Prevention Block Grant	1065	1172	924	3161
Primary Care Block Grant	2398	2708	2130	7236
Primary Care Research And Development	379	223	150	752
Primary Highway System	8235	14498	18297	41030
Rehabilitation Services	6684	6827	7111	20622
Runaway Youths	55	59	81	195
Rural & Small Urban Transportation	3723	4345	2497	10565
Rural Water And Waste Disposal Grants	1625	905	911	3441
Social Services Block Grant	19129	17888	14636	51653
State Block Grant (ECIA Chapter 2)	4565	4839	3292	12696
State & Community Highway Safety	1105	1285	1127	3517
Urban Development Action Grants	0	8198	2300	10498
Urban Mass Transit	12941	21542	20470	54953
Urbanized Area Transportation	5581	5333	1930	12844
Vocational & Adult Education	485	5686	11785	17956
Waste Water Treatment Grants	22538	20282	27121	69941
Water And Sewer Facility Loans	5754	6126	4654	16534
WIN	5077	3749	4806	13632
Women, Infants, And Children (WIC)	4837	6252	6608	17697
TOTAL	209270	251387	263928	724588

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Vermont

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	4005	4358	4164	12527
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	4783	6948	2925	14656
CETA	7500	8236	7195	22931
Child Abuse	35	51	51	137
Child Nutrition	6881	8234	7451	22566
Child Welfare	213	215	589	1017
Community Development Block Grant	4645	5040	4882	14567
Community Facility Loans	1238	1004	1062	3304
Community Services Block Grant	682	797	982	2461
Construction Safety	2514	1393	2169	6076
Emergency Assistance	0	0	155	155
Family Planning	330	481	499	1310
Foster Care	311	455	506	1272
General Revenue Sharing (Local Grants)	13952	13614	13414	40980
Grants-In-Aid For Airports	1294	1608	1318	4220
Highway Related Safety Grants	138	139	139	416
Interstate Transfers - Highways	0	0	0	0
Legal Services	721	641	856	2218
Low Income Home Energy	1247	9394	10981	21622
Maternal & Child Health Block Grant	1276	1308	1340	3924
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	323	292	343	958
Other Highways	1234	1826	1293	4353
Prevention Block Grant	900	937	262	2099
Primary Care Block Grant	320	501	619	1440
Primary Care Research And Development	336	133	0	469
Primary Highway System	12381	4524	8765	25670
Rehabilitation Services	3059	3486	3762	10307
Runaway Youths	121	127	22	270
Rural & Small Urban Transportation	4052	2340	3305	9697
Rural Water And Wasto Disposal Grants	1715	1888	1821	5424
Social Services Block Grant	5889	6186	7912	19987
State Block Grant (ECIA Chapter 2)	3089	2546	1965	7600
State & Community Highway Safety	835	965	850	2650
Urban Development Action Grants	2342	0	840	3182
Urban Mass Transit	2122	3948	2310	8380
Urbanized Area Transportation	6124	2281	1656	10061
Vocational & Adult Education	1857	2285	2387	6529
Waste Water Treatment Grants	23643	11986	15256	50885
Water And Sewer Facility Loans	3760	2780	5649	12189
WIN	2006	2139	2481	6626
Women, Infants, And Children (WIC)	4860	6336	6905	18091
TOTAL	132733	121411	129082	383226

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Virginia

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	10396	10379	7513	28288
Appalachian Highways	2223	6546	6097	14866
Black Lung Clinics	0	225	225	450
Bridges	27557	31888	12349	71794
CETA	50800	99424	66713	216937
Child Abuse	122	177	173	472
Child Nutrition	69561	82122	82144	233827
Child Welfare	1624	1620	4736	7980
Community Development Block Grant	63391	64260	62257	189908
Community Facility Loans	2883	5289	3583	11755
Community Services Block Grant	6826	6074	6329	19229
Construction Safety	4134	3204	10341	17679
Emergency Assistance	88	1609	21	1718
Family Planning	2696	3263	2851	8810
Foster Care	2579	2415	2871	7865
General Revenue Sharing (Local Grants)	94958	93713	95547	284218
Grants-In-Aid For Airports	12053	10733	9143	31929
Highway Related Safety Grants	565	566	567	1698
Interstate Transfers - Highways	0	0	0	0
Legal Services	4811	6521	6522	17854
Low Income Home Energy	3108	32157	36079	71344
Maternal & Child Health Block Grant	8224	8283	8681	25188
Migrant Health Clinics	0	0	0	0
OSHA State Grants (Operational Grants)	1069	1120	1319	3508
Other Highways	4437	2868	7054	14359
Prevention Block Grant	3583	4122	1910	9615
Primary Care Block Grant	2432	3213	2778	8423
Primary Care Research And Development	779	817	1361	2957
Primary Highway System	23280	27814	8324	59418
Rehabilitation Services	20685	21450	22251	64386
Runaway Youths	50	53	214	317
Rural & Small Urban Transportation	5674	5914	6259	17847
Rural Water And Waste Disposal Grants	7315	7765	4974	20054
Social Services Block Grant	68619	70147	56818	195584
State Block Grant (ECIA Chapter 2)	18956	18904	13316	51176
State & Community Highway Safety	3417	3934	3454	10805
Urban Development Action Grants	4590	8805	8254	21649
Urban Mass Transit	16705	25882	22158	64745
Urbanized Area Transportation	25064	12873	22312	60249
Vocational & Adult Education	1840	38825	18524	59189
Waste Water Treatment Grants	112831	83925	61067	257823
Water And Sewer Facility Loans	12543	10250	20403	43196
WIN	4940	5498	5070	15508
Women, Infants, And Children (WIC)	12470	17545	19652	49667
TOTAL	719878	842192	732213	2294284

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Washington

FEBRUARY 25, 1982

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	11199	11254	9678	32131
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	22768	16423	85723	124914
CETA	64200	56324	74104	194628
Child Abuse	96	144	142	382
Child Nutrition	40859	46623	52258	139740
Child Welfare	1178	1152	3252	5582
Community Development Block Grant	50635	54404	52324	157363
Community Facility Loans	3127	5202	5599	13928
Community Services Block Grant	4576	5628	5010	15214
Construction Safety	6870	4861	7187	18918
Emergency Assistance	2873	4124	1344	8341
Family Planning	2265	2668	2717	7650
Foster Care	1915	1448	3045	6408
General Revenue Sharing (Local Grants)	61532	63454	69762	194748
Grants-In-Aid For Airports	12838	15899	9927	38664
Highway Related Safety Grants	473	474	475	1422
Interstate Transfers - Highways	0	0	0	0
Legal Services	3993	4390	4621	13004
Low Income Home Energy	802	36853	37796	75451
Maternal & Child Health Block Grant	5140	5078	5872	16090
Migrant Health Clinics	1447	1774	1791	5012
OSHA State Grants (Operational Grants)	2774	3307	3648	9729
Other Highways	8790	7368	7012	23170
Prevention Block Grant	2448	2228	897	5573
Primary Care Block Grant	5072	6536	6866	18474
Primary Care Research And Development	578	0	0	578
Primary Highway System	22792	18864	26621	68277
Rehabilitation Services	14687	15110	15020	44817
Runaway Youths	280	268	174	722
Rural & Small Urban Transportation	9990	3855	8904	22749
Rural Water And Waste Disposal Grants	2918	4701	3211	10830
Social Services Block Grant	57440	53445	42501	153386
State Block Grant (ECIA Chapter 2)	18900	16357	10593	45850
State & Community Highway Safety	2863	3250	2931	9044
Urban Development Action Grants	6561	1963	893	9417
Urban Mass Transit	19119	58796	57375	135290
Urbanized Area Transportation	18502	6502	15908	40912
Vocational & Adult Education	1557	13145	25073	39775
Waste Water Treatment Grants	114984	58437	48502	221923
Water And Sewer Facility Loans	6285	9873	10849	27007
WIN	11248	11182	12301	34731
Women, Infants, And Children (WIC)	8306	10673	11632	30611
TOTAL	634880	644037	743537	2022455

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
West Virginia

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	6804	4767	4116	15687
Appalachian Highways	40053	51735	24923	116711
Black Lung Clinics	2362	1184	1123	4669
Bridges	8773	8886	45125	62784
CETA	25300	43688	36410	105398
Child Abuse	60	90	89	239
Child Nutrition	34248	36376	38800	109424
Child Welfare	590	577	1907	3074
Community Development Block Grant	25854	27948	26968	80770
Community Facility Loans	1715	5345	4659	11719
Community Services Block Grant	3911	4327	4405	12643
Construction Safety	4044	3395	4169	11608
Emergency Assistance	525	547	467	1539
Family Planning	576	641	1345	2562
Foster Care	964	1164	1139	3267
General Revenue Sharing (Local Grants)	41493	39802	42969	124264
Grants-In-Aid For Airports	4461	3389	2381	10231
Highway Related Safety Grants	233	232	233	698
Interstate Transfers - Highways	0	0	0	0
Legal Services	3664	3575	3639	10878
Low Income Home Energy	1954	14428	16702	33084
Maternal & Child Health Block Grant	4064	4409	4571	13044
Migrant Health Clinics	94	104	121	319
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	5385	3845	4419	13649
Prevention Block Grant	1993	1826	860	4679
Primary Care Block Grant	6207	7330	5536	19073
Primary Care Research And Development	660	665	123	1448
Primary Highway System	4955	20156	13311	38422
Rehabilitation Services	13173	12916	13171	39260
Runaway Youths	119	127	86	332
Rural & Small Urban Transportation	5824	5466	7071	18361
Rural Water And Waste Disposal Grants	7051	8223	5070	20344
Social Services Block Grant	27577	25667	20129	73373
State Block Grant (ECIA Chapter 2)	4838	4284	3510	12632
State & Community Highway Safety	1401	1616	1416	4433
Urban Development Action Grants	19637	1002	4080	24719
Urban Mass Transit	3052	8691	9603	21346
Urbanized Area Transportation	639	1889	6225	8753
Vocational & Adult Education	6052	7684	14107	27843
Waste Water Treatment Grants	104789	65928	36247	206964
Water And Sewer Facility Loans	20380	15518	14329	50227
WIN	5517	5593	4570	15680
Women, Infants, And Children (WIC)	5627	7702	10764	24093
TOTAL	456616	462736	440888	1360243

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS
ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE
(DOLLARS IN THOUSANDS)
Wisconsin

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	6018	5412	3105	14535
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	0	0	0
Bridges	25046	29973	45750	100769
CETA	51800	60740	66986	179526
Child Abuse	0	0	0	0
Child Nutrition	50415	56043	55157	161615
Child Welfare	1361	1424	3275	6060
Community Development Block Grant	61494	66031	65345	192870
Community Facility Loans	6560	4689	3952	15201
Community Services Block Grant	4413	4905	4841	14159
Construction Safety	11113	9524	10311	30948
Emergency Assistance	50	69	64	183
Family Planning	1840	2270	2423	6533
Foster Care	4467	4698	7617	16782
General Revenue Sharing (Local Grants)	107269	105920	102248	315437
Grants-In-Aid For Airports	10438	8619	5126	24183
Highway Related Safety Grants	620	620	621	1861
Interstate Transfers - Highways	0	0	0	0
Legal Services	3454	3884	4527	11865
Low Income Home Energy	6518	55558	65903	127979
Maternal & Child Health Block Grant	6698	4984	7147	18829
Migrant Health Clinics	269	274	315	858
OSHA State Grants (Operational Grants)	0	0	0	0
Other Highways	10828	4097	3224	18149
Prevention Block Grant	2859	3221	1864	7944
Primary Care Block Grant	1693	2728	3058	7479
Primary Care Research And Development	433	85	0	518
Primary Highway System	31916	29429	35506	96851
Rehabilitation Services	20116	19570	20208	59894
Runaway Youths	289	316	214	819
Rural & Small Urban Transportation	8530	10135	15503	34168
Rural Water And Waste Disposal Grants	5635	8288	4010	17933
Social Services Block Grant	69157	65701	54681	189539
State Block Grant (ECIA Chapter 2)	21791	17530	14080	53401
State & Community Highway Safety	3743	4311	4779	12833
Urban Development Action Grants	18160	15550	8035	41745
Urban Mass Transit	27391	29137	38691	95219
Urbanized Area Transportation	20719	12596	13425	46740
Vocational & Adult Education	1746	17981	33952	53679
Waste Water Treatment Grants	67883	80517	57513	205913
Water And Sewer Facility Loans	4805	19626	13646	38077
WIN	10842	12947	13864	37653
Women, Infants, And Children (WIC)	8248	11923	17472	37643
TOTAL	696625	791325	808437	2296390

FEBRUARY 25, 1982

OBLIGATIONS IN FISCAL YEAR 1979-81 FOR PROGRAMS ON THE ILLUSTRATIVE TURNBACK PROGRAM LIST - BY STATE

(DOLLARS IN THOUSANDS)

Wyoming

PROGRAM	1979	1980	1981	TOTAL
Alcohol, Drug, Mental Health Block Grant	1261	870	693	2824
Appalachian Highways	0	0	0	0
Black Lung Clinics	0	63	62	125
Bridges	484	2105	476	3065
CETA	4300	4123	3635	12058
Child Abuse	34	51	51	136
Child Nutrition	4179	4910	4699	13788
Child Welfare	180	170	442	792
Community Development Block Grant	3338	3252	3592	10182
Community Facility Loans	540	1013	1230	2783
Community Services Block Grant	291	273	219	783
Construction Safety	2538	1169	2167	5874
Emergency Assistance	87	107	131	325
Family Planning	458	494	397	1349
Foster Care	78	86	112	276
General Revenue Sharing (Local Grants)	8858	9482	10369	28709
Grants-In-Aid For Airports	6530	3545	3788	13863
Highway Related Safety Grants	138	139	139	416
Interstate Transfers - Highways	0	0	0	0
Legal Services	505	623	676	1804
Low Income Home Energy	322	3420	5518	9260
Maternal & Child Health Block Grant	803	841	935	2579
Migrant Health Clinics	92	112	115	319
OSHA State Grants (Operational Grants)	271	281	304	856
Other Highways	2377	5159	2667	10203
Prevention Block Grant	856	857	218	1931
Primary Care Block Grant	0	0	0	0
Primary Care Research And Development	0	0	0	0
Primary Highway System	6560	13668	13819	34047
Rehabilitation Services	3106	3283	3246	9635
Runaway Youths	47	48	8	103
Rural & Small Urban Transportation	8998	6457	2313	17768
Rural Water And Waste Disposal Grants	1701	751	1677	4129
Social Services Block Grant	5839	5112	5222	16173
State Block Grant (ECIA Chapter 2)	2288	2019	1786	6093
State & Community Highway Safety	835	953	862	2650
Urban Development Action Grants	0	0	0	0
Urban Mass Transit	44	0	0	44
Urbanized Area Transportation	1928	4422	4847	11197
Vocational & Adult Education	313	2102	2965	5380
Waste Water Treatment Grants	13121	20807	23577	57505
Water And Sewer Facility Loans	2026	1500	3400	6926
WIN	735	521	594	1850
Women, Infants, And Children (WIC)	0	427	1281	1708
TOTAL	86061	105214	108233	299508

ATTACHMENT 2

February 25, 1982

DERIVATION OF ILLUSTRATIVE STATE TRUST FUND ALLOCATIONS

The attached tables provide an illustration of how the Federalism Trust Fund allocation for each State would be derived, using the 45 programs tentatively proposed for turnback to the States.

The funding for programs on the illustrative turnback list totals $30.2 billion in 1984. Using this figure, a State's Trust Fund allocation is derived as follows:

- The State is initially given a Trust Fund allocation based on its pro-rata share of the 45 turnback programs. This pro-rata share is determined by summing the State's actual net obligations in 1979, 1980 and 1981 for a program; calculating the percentage these obligations constitute of the total 1979-81 obligations for the 45 programs; and multiplying the resulting percentage by $30.2 billion. The results of these calculations for each program are shown in the first column on the tables. The total in the column is the State's initial Trust Fund allocation.

- The initial allotment then is adjusted up or down depending upon whether the State would lose or gain on the Medicaid-Public Assistance Swap. A State would gain if the projected Food Stamp and AFDC costs it would absorb in 1984 are less than the projected savings it would realize from the federalization of Medicaid in 1984. A State would lose if the projected savings resulting from the federalization of Medicaid are insufficient to fund the projected costs of Food Stamps and AFDC it would absorb under the Swap. The second column on the tables shows the adjustment made to the State's initial Trust Fund allotment to offset its gain or loss on the Swap. Column 3 shows the Trust Fund allocation which results in the State neither gaining nor losing under the total Federalism program.

NOTES ON THE DATA BASE

Data on the turnback programs are those on the computer file as of February 22, 1982. State-by-State data are subject to refinement, primarily as a result of the need to adjust them for obligations recorded for a State which actually affect multiple States.

Medicaid, AFDC and Food Stamps projections used to determine the net effects of the Swap reflect preliminary OMB estimates based on the best information available in January 1982 and are subject to refinement as later data become available.

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Alabama
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	8.493		
Appalachian Highways	8.210		
Black Lung Clinics	0.148		
Bridges	7.750		
CETA	47.696		
Child Abuse	0.097		
Child Nutrition	74.979		
Child Welfare	1.443		
Community Development Block Grant	46.307		
Community Facility Loans	3.924		
Community Services Block Grant	5.664		
Construction Safety	4.733		
Emergency Assistance	0.000		
Family Planning	2.841		
Foster Care	1.233		
General Revenue Sharing (Local Grants)	54.750		
Grants-In-Aid For Airports	5.769		
Highway Related Safety Grants	0.368		
Interstate Transfers - Highways	0.000		
Legal Services	5.515		
Low Income Home Energy	7.658		
Maternal & Child Health Block Grant	5.754		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	3.647		
Prevention Block Grant	2.283		
Primary Care Block Grant	5.706		
Primary Care Research And Development	0.395		
Primary Highway System	19.960		
Rehabilitation Services	17.824		
Runaway Youths	0.119		
Rural & Small Urban Transportation	7.293		
Rural Water And Waste Disposal Grants	6.715		
Social Services Block Grant	35.705		
State Block Grant (ECIA Chapter 2)	9.882		
State & Community Highway Safety	2.343		
Urban Development Action Grants	6.097		
Urban Mass Transit	4.710		
Urbanized Area Transportation	5.391		
Vocational & Adult Education	12.082		
Waste Water Treatment Grants	38.054		
Water And Sewer Facility Loans	16.582		
WIN	2.344		
Women, Infants, And Children (WIC)	12.400		
TOTAL	502.867	210	713

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Alaska
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	1.748		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	6.088		
CETA	7.035		
Child Abuse	0.000		
Child Nutrition	4.542		
Child Welfare	0.149		
Community Development Block Grant	4.662		
Community Facility Loans	1.097		
Community Services Block Grant	0.919		
Construction Safety	2.164		
Emergency Assistance	0.000		
Family Planning	0.207		
Foster Care	0.306		
General Revenue Sharing (Local Grants)	10.866		
Grants-In-Aid For Airports	16.707		
Highway Related Safety Grants	0.104		
Interstate Transfers - Highways	0.000		
Legal Services	1.296		
Low Income Home Energy	4.079		
Maternal & Child Health Block Grant	0.502		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.768		
Other Highways	6.898		
Prevention Block Grant	0.714		
Primary Care Block Grant	0.410		
Primary Care Research And Development	0.047		
Primary Highway System	43.182		
Rehabilitation Services	2.455		
Runaway Youths	0.029		
Rural & Small Urban Transportation	17.166		
Rural Water And Waste Disposal Grants	0.401		
Social Services Block Grant	3.915		
State Block Grant (ECIA Chapter 2)	1.688		
State & Community Highway Safety	0.665		
Urban Development Action Grants	0.000		
Urban Mass Transit	2.226		
Urbanized Area Transportation	2.030		
Vocational & Adult Education	1.040		
Waste Water Treatment Grants	15.028		
Water And Sewer Facility Loans	0.958		
WIN	2.416		
Women, Infants, And Children (WIC)	0.566		
TOTAL	165.074	22	187

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Arizona
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	7.549		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	1.203		
CETA	28.586		
Child Abuse	0.000		
Child Nutrition	27.961		
Child Welfare	0.917		
Community Development Block Grant	25.926		
Community Facility Loans	2.685		
Community Services Block Grant	2.682		
Construction Safety	2.062		
Emergency Assistance	0.000		
Family Planning	1.956		
Foster Care	0.168		
General Revenue Sharing (Local Grants)	42.203		
Grants-In-Aid For Airports	10.557		
Highway Related Safety Grants	0.189		
Interstate Transfers - Highways	1.691		
Legal Services	3.832		
Low Income Home Energy	3.333		
Maternal & Child Health Block Grant	2.742		
Migrant Health Clinics	0.446		
OSHA State Grants (Operational Grants)	0.464		
Other Highways	4.521		
Prevention Block Grant	1.458		
Primary Care Block Grant	3.596		
Primary Care Research And Development	0.073		
Primary Highway System	15.769		
Rehabilitation Services	8.634		
Runaway Youths	0.129		
Rural & Small Urban Transportation	4.281		
Rural Water And Waste Disposal Grants	1.102		
Social Services Block Grant	23.300		
State Block Grant (ECIA Chapter 2)	6.670		
State & Community Highway Safety	1.312		
Urban Development Action Grants	0.463		
Urban Mass Transit	13.045		
Urbanized Area Transportation	4.491		
Vocational & Adult Education	7.159		
Waste Water Treatment Grants	26.234		
Water And Sewer Facility Loans	5.724		
WIN	1.979		
Women, Infants, And Children (WIC)	12.067		
TOTAL	309.159	157	466

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Arkansas
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	6.474		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	6.957		
CETA	26.790		
Child Abuse	0.067		
Child Nutrition	33.751		
Child Welfare	0.978		
Community Development Block Grant	22.405		
Community Facility Loans	5.588		
Community Services Block Grant	3.811		
Construction Safety	3.809		
Emergency Assistance	0.020		
Family Planning	2.029		
Foster Care	0.258		
General Revenue Sharing (Local Grants)	34.068		
Grants-In-Aid For Airports	3.019		
Highway Related Safety Grants	0.240		
Interstate Transfers - Highways	0.000		
Legal Services	2.983		
Low Income Home Energy	5.811		
Maternal & Child Health Block Grant	3.500		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	11.827		
Prevention Block Grant	0.812		
Primary Care Block Grant	2.080		
Primary Care Research And Development	0.266		
Primary Highway System	25.776		
Rehabilitation Services	10.292		
Runaway Youths	0.062		
Rural & Small Urban Transportation	5.781		
Rural Water And Waste Disposal Grants	5.368		
Social Services Block Grant	22.454		
State Block Grant (ECIA Chapter 2)	4.881		
State & Community Highway Safety	1.524		
Urban Development Action Grants	1.537		
Urban Mass Transit	2.118		
Urbanized Area Transportation	2.590		
Vocational & Adult Education	6.812		
Waste Water Treatment Grants	25.147		
Water And Sewer Facility Loans	13.368		
WIN	1.606		
Women, Infants, And Children (WIC)	6.670		
TOTAL	313.528	37	351

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR California
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	37.432		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	11.470		
CETA	295.582		
Child Abuse	0.426		
Child Nutrition	253.481		
Child Welfare	5.848		
Community Development Block Grant	257.288		
Community Facility Loans	5.634		
Community Services Block Grant	26.478		
Construction Safety	17.859		
Emergency Assistance	0.000		
Family Planning	8.275		
Foster Care	28.369		
General Revenue Sharing (Local Grants)	387.951		
Grants-In-Aid For Airports	41.841		
Highway Related Safety Grants	1.700		
Interstate Transfers - Highways	0.000		
Legal Services	23.217		
Low Income Home Energy	38.235		
Maternal & Child Health Block Grant	13.554		
Migrant Health Clinics	3.253		
OSHA State Grants (Operational Grants)	7.745		
Other Highways	13.432		
Prevention Block Grant	6.903		
Primary Care Block Grant	21.775		
Primary Care Research And Development	0.459		
Primary Highway System	68.586		
Rehabilitation Services	51.327		
Runaway Youths	0.825		
Rural & Small Urban Transportation	10.982		
Rural Water And Waste Disposal Grants	6.131		
Social Services Block Grant	212.141		
State Block Grant (ECIA Chapter 2)	59.646		
State & Community Highway Safety	10.809		
Urban Development Action Grants	34.261		
Urban Mass Transit	236.640		
Urbanized Area Transportation	70.393		
Vocational & Adult Education	36.731		
Waste Water Treatment Grants	243.207		
Water And Sewer Facility Loans	17.648		
WIN	38.014		
Women, Infants, And Children (WIC)	39.976		
TOTAL	2645.522	-494	2,152

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Colorado
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	6.215		
Appalachian Highways	0.000		
Black Lung Clinics	0.039		
Bridges	2.450		
CETA	25.161		
Child Abuse	0.077		
Child Nutrition	27.198		
Child Welfare	1.085		
Community Development Block Grant	23.799		
Community Facility Loans	1.345		
Community Services Block Grant	2.344		
Construction Safety	3.043		
Emergency Assistance	0.000		
Family Planning	1.127		
Foster Care	0.950		
General Revenue Sharing (Local Grants)	38.876		
Grants-In-Aid For Airports	11.879		
Highway Related Safety Grants	0.269		
Interstate Transfers - Highways	10.731		
Legal Services	2.642		
Low Income Home Energy	13.013		
Maternal & Child Health Block Grant	3.809		
Migrant Health Clinics	1.059		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	5.411		
Prevention Block Grant	1.421		
Primary Care Block Grant	10.652		
Primary Care Research And Development	0.187		
Primary Highway System	15.935		
Rehabilitation Services	8.104		
Runaway Youths	0.161		
Rural & Small Urban Transportation	6.108		
Rural Water And Waste Disposal Grants	2.389		
Social Services Block Grant	25.893		
State Block Grant (ECIA Chapter 2)	5.620		
State & Community Highway Safety	1.711		
Urban Development Action Grants	4.170		
Urban Mass Transit	34.941		
Urbanized Area Transportation	6.313		
Vocational & Adult Education	7.396		
Waste Water Treatment Grants	30.938		
Water And Sewer Facility Loans	6.443		
WIN	4.882		
Women, Infants, And Children (WIC)	7.403		
TOTAL	363.183	-28	335

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Connecticut
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	6.109		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	1.887		
CETA	34.353		
Child Abuse	0.078		
Child Nutrition	27.136		
Child Welfare	1.024		
Community Development Block Grant	34.981		
Community Facility Loans	1.769		
Community Services Block Grant	3.353		
Construction Safety	2.470		
Emergency Assistance	1.209		
Family Planning	0.965		
Foster Care	0.896		
General Revenue Sharing (Local Grants)	42.861		
Grants-In-Aid For Airports	2.295		
Highway Related Safety Grants	0.249		
Interstate Transfers - Highways	7.306		
Legal Services	2.274		
Low Income Home Energy	19.940		
Maternal & Child Health Block Grant	2.393		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.208		
Other Highways	5.508		
Prevention Block Grant	1.582		
Primary Care Block Grant	1.298		
Primary Care Research And Development	0.000		
Primary Highway System	16.317		
Rehabilitation Services	6.474		
Runaway Youths	0.094		
Rural & Small Urban Transportation	2.662		
Rural Water And Waste Disposal Grants	1.318		
Social Services Block Grant	35.273		
State Block Grant (ECIA Chapter 2)	7.007		
State & Community Highway Safety	1.581		
Urban Development Action Grants	5.311		
Urban Mass Transit	36.986		
Urbanized Area Transportation	8.375		
Vocational & Adult Education	7.194		
Waste Water Treatment Grants	38.489		
Water And Sewer Facility Loans	7.248		
WIN	3.660		
Women, Infants, And Children (WIC)	10.274		
TOTAL	390.405	-108	282

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Delaware
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	1.038		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	2.338		
CETA	9.289		
Child Abuse	0.036		
Child Nutrition	7.085		
Child Welfare	0.197		
Community Development Block Grant	6.514		
Community Facility Loans	0.305		
Community Services Block Grant	0.574		
Construction Safety	0.993		
Emergency Assistance	0.082		
Family Planning	0.350		
Foster Care	0.366		
General Revenue Sharing (Local Grants)	10.538		
Grants-In-Aid For Airports	0.381		
Highway Related Safety Grants	0.104		
Interstate Transfers - Highways	0.000		
Legal Services	0.408		
Low Income Home Energy	2.678		
Maternal & Child Health Block Grant	0.974		
Migrant Health Clinics	0.259		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	0.862		
Prevention Block Grant	0.290		
Primary Care Block Grant	0.241		
Primary Care Research And Development	0.000		
Primary Highway System	7.471		
Rehabilitation Services	2.777		
Runaway Youths	0.007		
Rural & Small Urban Transportation	3.912		
Rural Water And Waste Disposal Grants	0.414		
Social Services Block Grant	5.819		
State Block Grant (ECIA Chapter 2)	5.561		
State & Community Highway Safety	0.666		
Urban Development Action Grants	5.180		
Urban Mass Transit	1.674		
Urbanized Area Transportation	3.206		
Vocational & Adult Education	2.014		
Waste Water Treatment Grants	13.079		
Water And Sewer Facility Loans	1.344		
WIN	0.896		
Women, Infants, And Children (WIC)	1.147		
TOTAL	101.069	2	103

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR District of Columbia
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	2.082		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	3.520		
CETA	29.619		
Child Abuse	0.036		
Child Nutrition	10.154		
Child Welfare	0.253		
Community Development Block Grant	18.760		
Community Facility Loans	0.000		
Community Services Block Grant	5.119		
Construction Safety	1.019		
Emergency Assistance	0.609		
Family Planning	0.777		
Foster Care	0.293		
General Revenue Sharing (Local Grants)	14.291		
Grants-In-Aid For Airports	0.059		
Highway Related Safety Grants	0.104		
Interstate Transfers - Highways	4.246		
Legal Services	3.299		
Low Income Home Energy	3.143		
Maternal & Child Health Block Grant	4.607		
Migrant Health Clinics	0.409		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	1.921		
Prevention Block Grant	0.826		
Primary Care Block Grant	3.764		
Primary Care Research And Development	0.039		
Primary Highway System	2.394		
Rehabilitation Services	7.778		
Runaway Youths	0.072		
Rural & Small Urban Transportation	0.000		
Rural Water And Waste Disposal Grants	0.000		
Social Services Block Grant	6.513		
State Block Grant (ECIA Chapter 2)	5.704		
State & Community Highway Safety	0.666		
Urban Development Action Grants	1.419		
Urban Mass Transit	228.353		
Urbanized Area Transportation	3.597		
Vocational & Adult Education	2.927		
Waste Water Treatment Grants	5.476		
Water And Sewer Facility Loans	0.000		
WIN	2.990		
Women, Infants, And Children (WIC)	1.894		
TOTAL	378.731	-57	322

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Florida
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	23.560		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	22.205		
CETA	109.589		
Child Abuse	0.170		
Child Nutrition	118.425		
Child Welfare	2.442		
Community Development Block Grant	92.235		
Community Facility Loans	6.637		
Community Services Block Grant	8.249		
Construction Safety	8.050		
Emergency Assistance	0.000		
Family Planning	3.846		
Foster Care	1.368		
General Revenue Sharing (Local Grants)	108.518		
Grants-In-Aid For Airports	27.564		
Highway Related Safety Grants	0.622		
Interstate Transfers - Highways	0.000		
Legal Services	7.745		
Low Income Home Energy	9.785		
Maternal & Child Health Block Grant	7.865		
Migrant Health Clinics	5.493		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	5.434		
Prevention Block Grant	3.208		
Primary Care Block Grant	7.139		
Primary Care Research And Development	0.239		
Primary Highway System	36.519		
Rehabilitation Services	25.384		
Runaway Youths	0.440		
Rural & Small Urban Transportation	2.662		
Rural Water And Waste Disposal Grants	5.713		
Social Services Block Grant	81.504		
State Block Grant (ECIA Chapter 2)	16.595		
State & Community Highway Safety	3.959		
Urban Development Action Grants	4.180		
Urban Mass Transit	185.570		
Urbanized Area Transportation	18.149		
Vocational & Adult Education	22.302		
Waste Water Treatment Grants	114.679		
Water And Sewer Facility Loans	25.862		
WIN	3.967		
Women, Infants, And Children (WIC)	16.162		
TOTAL	1144.033	281	1,425

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Georgia
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	9.438		
Appalachian Highways	8.091		
Black Lung Clinics	0.000		
Bridges	11.601		
CETA	57.717		
Child Abuse	0.127		
Child Nutrition	92.329		
Child Welfare	1.871		
Community Development Block Grant	52.362		
Community Facility Loans	3.343		
Community Services Block Grant	8.099		
Construction Safety	5.642		
Emergency Assistance	0.000		
Family Planning	3.143		
Foster Care	1.445		
General Revenue Sharing (Local Grants)	77.581		
Grants-In-Aid For Airports	12.397		
Highway Related Safety Grants	0.474		
Interstate Transfers - Highways	0.000		
Legal Services	6.533		
Low Income Home Energy	9.738		
Maternal & Child Health Block Grant	7.629		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	8.946		
Prevention Block Grant	2.989		
Primary Care Block Grant	4.884		
Primary Care Research And Development	0.079		
Primary Highway System	23.591		
Rehabilitation Services	18.060		
Runaway Youths	0.114		
Rural & Small Urban Transportation	4.363		
Rural Water And Waste Disposal Grants	6.625		
Social Services Block Grant	50.098		
State Block Grant (ECIA Chapter 2)	13.775		
State & Community Highway Safety	3.017		
Urban Development Action Grants	5.604		
Urban Mass Transit	41.092		
Urbanized Area Transportation	9.395		
Vocational & Adult Education	15.889		
Waste Water Treatment Grants	57.020		
Water And Sewer Facility Loans	15.645		
WIN	5.176		
Women, Infants, And Children (WIC)	16.537		
TOTAL	672.459	146	818

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Hawaii
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	2.110		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	1.537		
CETA	11.037		
Child Abuse	0.043		
Child Nutrition	13.100		
Child Welfare	0.329		
Community Development Block Grant	10.718		
Community Facility Loans	0.075		
Community Services Block Grant	1.240		
Construction Safety	0.933		
Emergency Assistance	0.000		
Family Planning	0.749		
Foster Care	0.016		
General Revenue Sharing (Local Grants)	16.329		
Grants-In-Aid For Airports	7.785		
Highway Related Safety Grants	0.104		
Interstate Transfers - Highways	0.000		
Legal Services	0.634		
Low Income Home Energy	0.649		
Maternal & Child Health Block Grant	1.307		
Migrant Health Clinics	0.008		
OSHA State Grants (Operational Grants)	0.594		
Other Highways	1.396		
Prevention Block Grant	0.686		
Primary Care Block Grant	2.248		
Primary Care Research And Development	0.000		
Primary Highway System	5.732		
Rehabilitation Services	2.856		
Runaway Youths	0.087		
Rural & Small Urban Transportation	2.355		
Rural Water And Waste Disposal Grants	0.000		
Social Services Block Grant	8.757		
State Block Grant (ECIA Chapter 2)	3.043		
State & Community Highway Safety	0.666		
Urban Development Action Grants	0.000		
Urban Mass Transit	3.334		
Urbanized Area Transportation	2.199		
Vocational & Adult Education	2.589		
Waste Water Treatment Grants	19.676		
Water And Sewer Facility Loans	0.551		
WIN	1.258		
Women, Infants, And Children (WIC)	1.450		
TOTAL	128.177	12	140

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Idaho
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	1.438		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	4.687		
CETA	10.320		
Child Abuse	0.000		
Child Nutrition	7.873		
Child Welfare	0.369		
Community Development Block Grant	5.706		
Community Facility Loans	0.891		
Community Services Block Grant	0.751		
Construction Safety	1.595		
Emergency Assistance	0.000		
Family Planning	0.502		
Foster Care	0.217		
General Revenue Sharing (Local Grants)	13.434		
Grants-In-Aid For Airports	3.377		
Highway Related Safety Grants	0.138		
Interstate Transfers - Highways	0.000		
Legal Services	0.883		
Low Income Home Energy	5.391		
Maternal & Child Health Block Grant	1.629		
Migrant Health Clinics	0.668		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	5.817		
Prevention Block Grant	0.664		
Primary Care Block Grant	1.189		
Primary Care Research And Development	0.117		
Primary Highway System	9.644		
Rehabilitation Services	3.163		
Runaway Youths	0.038		
Rural & Small Urban Transportation	3.405		
Rural Water And Waste Disposal Grants	1.185		
Social Services Block Grant	8.234		
State Block Grant (ECIA Chapter 2)	2.165		
State & Community Highway Safety	0.871		
Urban Development Action Grants	0.510		
Urban Mass Transit	1.344		
Urbanized Area Transportation	2.532		
Vocational & Adult Education	2.755		
Waste Water Treatment Grants	17.217		
Water And Sewer Facility Loans	2.326		
WIN	1.668		
Women, Infants, And Children (WIC)	3.061		
TOTAL	127.772	20	148

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Illinois
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	13.554		
Appalachian Highways	0.000		
Black Lung Clinics	0.193		
Bridges	59.718		
CETA	128.800		
Child Abuse	0.231		
Child Nutrition	108.886		
Child Welfare	3.519		
Community Development Block Grant	165.864		
Community Facility Loans	6.154		
Community Services Block Grant	14.224		
Construction Safety	13.767		
Emergency Assistance	0.106		
Family Planning	4.130		
Foster Care	1.527		
General Revenue Sharing (Local Grants)	169.854		
Grants-In-Aid For Airports	14.559		
Highway Related Safety Grants	0.993		
Interstate Transfers - Highways	70.053		
Legal Services	7.463		
Low Income Home Energy	51.573		
Maternal & Child Health Block Grant	10.204		
Migrant Health Clinics	0.356		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	5.817		
Prevention Block Grant	3.012		
Primary Care Block Grant	5.581		
Primary Care Research And Development	0.146		
Primary Highway System	54.735		
Rehabilitation Services	25.194		
Runaway Youths	0.261		
Rural & Small Urban Transportation	10.566		
Rural Water And Waste Disposal Grants	6.006		
Social Services Block Grant	117.947		
State Block Grant (ECIA Chapter 2)	23.342		
State & Community Highway Safety	6.312		
Urban Development Action Grants	26.288		
Urban Mass Transit	187.373		
Urbanized Area Transportation	35.459		
Vocational & Adult Education	25.427		
Waste Water Treatment Grants	119.546		
Water And Sewer Facility Loans	13.146		
WIN	12.450		
Women, Infants, And Children (WIC)	22.066		
TOTAL	1556.423	-18	1,538

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Indiana
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	17.696		
Appalachian Highways	0.000		
Black Lung Clinics	0.103		
Bridges	5.435		
CETA	64.067		
Child Abuse	0.000		
Child Nutrition	49.618		
Child Welfare	1.712		
Community Development Block Grant	50.286		
Community Facility Loans	3.615		
Community Services Block Grant	4.226		
Construction Safety	8.513		
Emergency Assistance	0.000		
Family Planning	2.281		
Foster Care	0.889		
General Revenue Sharing (Local Grants)	67.626		
Grants-In-Aid For Airports	12.020		
Highway Related Safety Grants	0.503		
Interstate Transfers - Highways	0.000		
Legal Services	3.433		
Low Income Home Energy	23.590		
Maternal & Child Health Block Grant	5.770		
Migrant Health Clinics	0.560		
OSHA State Grants (Operational Grants)	0.984		
Other Highways	14.369		
Prevention Block Grant	2.061		
Primary Care Block Grant	1.194		
Primary Care Research And Development	0.000		
Primary Highway System	22.308		
Rehabilitation Services	12.768		
Runaway Youths	0.296		
Rural & Small Urban Transportation	4.778		
Rural Water And Waste Disposal Grants	4.552		
Social Services Block Grant	43.881		
State Block Grant (ECIA Chapter 2)	12.146		
State & Community Highway Safety	3.199		
Urban Development Action Grants	9.620		
Urban Mass Transit	29.567		
Urbanized Area Transportation	16.255		
Vocational & Adult Education	18.685		
Waste Water Treatment Grants	58.295		
Water And Sewer Facility Loans	14.786		
WIN	3.557		
Women, Infants, And Children (WIC)	7.253		
TOTAL	602.498	-61	541

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Iowa
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	1.587		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	16.689		
CETA	22.573		
Child Abuse	0.078		
Child Nutrition	29.728		
Child Welfare	1.065		
Community Development Block Grant	29.479		
Community Facility Loans	3.826		
Community Services Block Grant	3.391		
Construction Safety	4.644		
Emergency Assistance	0.000		
Family Planning,	1.347		
Foster Care	0.834		
General Revenue Sharing (Local Grants)	42.636		
Grants-In-Aid For Airports	4.073		
Highway Related Safety Grants	0.356		
Interstate Transfers - Highways	0.000		
Legal Services	2.363		
Low Income Home Energy	16.411		
Maternal & Child Health Block Grant	3.772		
Migrant Health Clinics	0.134		
OSHA State Grants (Operational Grants)	0.566		
Other Highways	2.190		
Prevention Block Grant	1.697		
Primary Care Block Grant	1.030		
Primary Care Research And Development	0.035		
Primary Highway System	26.830		
Rehabilitation Services	8.223		
Runaway Youths	0.094		
Rural & Small Urban Transportation	6.791		
Rural Water And Waste Disposal Grants	4.148		
Social Services Block Grant	27.853		
State Block Grant (ECIA Chapter 2)	4.971		
State & Community Highway Safety	2.267		
Urban Development Action Grants	3.837		
Urban Mass Transit	5.400		
Urbanized Area Transportation	4.509		
Vocational & Adult Education	9.784		
Waste Water Treatment Grants	37.385		
Water And Sewer Facility Loans	15.204		
WIN	2.609		
Women, Infants, And Children (WIC)	5.398		
TOTAL	359.908	-26	334

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Kansas
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	3.058		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	14.051		
CETA	16.858		
Child Abuse	0.067		
Child Nutrition	22.653		
Child Welfare	0.794		
Community Development Block Grant	22.136		
Community Facility Loans	2.110		
Community Services Block Grant	3.035		
Construction Safety	5.478		
Emergency Assistance	0.413		
Family Planning	1.063		
Foster Care	2.488		
General Revenue Sharing (Local Grants)	30.448		
Grants-In-Aid For Airports	5.670		
Highway Related Safety Grants	0.340		
Interstate Transfers - Highways	0.000		
Legal Services	1.843		
Low Income Home Energy	7.197		
Maternal & Child Health Block Grant	2.396		
Migrant Health Clinics	0.165		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	5.547		
Prevention Block Grant	1.260		
Primary Care Block Grant	0.160		
Primary Care Research And Development	0.069		
Primary Highway System	15.146		
Rehabilitation Services	6.816		
Runaway Youths	0.054		
Rural & Small Urban Transportation	6.433		
Rural Water And Waste Disposal Grants	3.268		
Social Services Block Grant	22.603		
State Block Grant (ECIA Chapter 2)	4.100		
State & Community Highway Safety	2.161		
Urban Development Action Grants	1.131		
Urban Mass Transit	2.247		
Urbanized Area Transportation	4.382		
Vocational & Adult Education	6.194		
Waste Water Treatment Grants	32.889		
Water And Sewer Facility Loans	9.188		
WIN	1.951		
Women, Infants, And Children (WIC)	3.899		
TOTAL	271.758	-47	225

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Kentucky
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	4.130		
Appalachian Highways	17.112		
Black Lung Clinics	0.546		
Bridges	20.005		
CETA	45.349		
Child Abuse	0.093		
Child Nutrition	57.830		
Child Welfare	1.470		
Community Development Block Grant	40.165		
Community Facility Loans	5.770		
Community Services Block Grant	4.795		
Construction Safety	3.855		
Emergency Assistance	1.191		
Family Planning	2.477		
Foster Care	1.361		
General Revenue Sharing (Local Grants)	56.762		
Grants-In-Aid For Airports	5.697		
Highway Related Safety Grants	0.328		
Interstate Transfers - Highways	0.000		
Legal Services	4.772		
Low Income Home Energy	12.854		
Maternal & Child Health Block Grant	5.712		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	1.455		
Other Highways	7.612		
Prevention Block Grant	1.596		
Primary Care Block Grant	4.481		
Primary Care Research And Development	0.271		
Primary Highway System	19.681		
Rehabilitation Services	13.962		
Runaway Youths	0.088		
Rural & Small Urban Transportation	6.523		
Rural Water And Waste Disposal Grants	6.727		
Social Services Block Grant	34.725		
State Block Grant (ECIA Chapter 2)	6.750		
State & Community Highway Safety	2.083		
Urban Development Action Grants	6.797		
Urban Mass Transit	11.059		
Urbanized Area Transportation	5.781		
Vocational & Adult Education	11.016		
Waste Water Treatment Grants	45.601		
Water And Sewer Facility Loans	18.564		
WIN	2.982		
Women, Infants, And Children (WIC)	13.537		
TOTAL	513.565	181	695

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Louisiana
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	3.812		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	21.932		
CETA	43.532		
Child Abuse	0.108		
Child Nutrition	74.502		
Child Welfare	1.802		
Community Development Block Grant	55.463		
Community Facility Loans	5.520		
Community Services Block Grant	6.746		
Construction Safety	4.941		
Emergency Assistance	0.000		
Family Planning	1.460		
Foster Care	2.202		
General Revenue Sharing (Local Grants)	73.408		
Grants-In-Aid For Airports	9.137		
Highway Related Safety Grants	0.341		
Interstate Transfers - Highways	0.000		
Legal Services	5.487		
Low Income Home Energy	7.054		
Maternal & Child Health Block Grant	6.213		
Migrant Health Clinics	0.057		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	4.005		
Prevention Block Grant	2.392		
Primary Care Block Grant	1.209		
Primary Care Research And Development	0.000		
Primary Highway System	19.689		
Rehabilitation Services	15.270		
Runaway Youths	0.075		
Rural & Small Urban Transportation	7.072		
Rural Water And Waste Disposal Grants	6.512		
Social Services Block Grant	38.144		
State Block Grant (ECIA Chapter 2)	10.945		
State & Community Highway Safety	2.171		
Urban Development Action Grants	12.024		
Urban Mass Transit	19.714		
Urbanized Area Transportation	11.326		
Vocational & Adult Education	12.829		
Waste Water Treatment Grants	43.714		
Water And Sewer Facility Loans	15.251		
WIN	2.182		
Women, Infants, And Children (WIC)	18.886		
TOTAL	567.169	70	637

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Maine
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	3.551		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	5.118		
CETA	15.448		
Child Abuse	0.045		
Child Nutrition	15.075		
Child Welfare	0.517		
Community Development Block Grant	10.796		
Community Facility Loans	3.170		
Community Services Block Grant	1.548		
Construction Safety	1.651		
Emergency Assistance	0.000		
Family Planning	0.674		
Foster Care	1.704		
General Revenue Sharing (Local Grants)	21.176		
Grants-In-Aid For Airports	3.498		
Highway Related Safety Grants	0.104		
Interstate Transfers - Highways	0.000		
Legal Services	1.089		
Low Income Home Energy	12.580		
Maternal & Child Health Block Grant	1.802		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	1.603		
Prevention Block Grant	1.195		
Primary Care Block Grant	1.848		
Primary Care Research And Development	0.711		
Primary Highway System	11.064		
Rehabilitation Services	4.259		
Runaway Youths	0.031		
Rural & Small Urban Transportation	2.931		
Rural Water And Waste Disposal Grants	2.583		
Social Services Block Grant	11.045		
State Block Grant (ECIA Chapter 2)	2.342		
State & Community Highway Safety	0.666		
Urban Development Action Grants	4.413		
Urban Mass Transit	2.039		
Urbanized Area Transportation	2.513		
Vocational & Adult Education	3.499		
Waste Water Treatment Grants	24.786		
Water And Sewer Facility Loans	9.885		
WIN	1.414		
Women, Infants, And Children (WIC)	3.293		
TOTAL	191.666	21	213

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Maryland
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	3.072		
Appalachian Highways	4.424		
Black Lung Clinics	0.000		
Bridges	14.831		
CETA	52.454		
Child Abuse	0.000		
Child Nutrition	43.616		
Child Welfare	1.300		
Community Development Block Grant	45.027		
Community Facility Loans	2.514		
Community Services Block Grant	4.060		
Construction Safety	3.654		
Emergency Assistance	1.152		
Family Planning	2.076		
Foster Care	2.266		
General Revenue Sharing (Local Grants)	67.302		
Grants-In-Aid For Airports	4.182		
Highway Related Safety Grants	0.324		
Interstate Transfers - Highways	0.000		
Legal Services	2.518		
Low Income Home Energy	15.205		
Maternal & Child Health Block Grant	6.738		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	1.631		
Other Highways	3.347		
Prevention Block Grant	1.700		
Primary Care Block Grant	6.296		
Primary Care Research And Development	0.000		
Primary Highway System	17.110		
Rehabilitation Services	10.508		
Runaway Youths	0.216		
Rural & Small Urban Transportation	1.925		
Rural Water And Waste Disposal Grants	2.135		
Social Services Block Grant	40.917		
State Block Grant (ECIA Chapter 2)	7.998		
State & Community Highway Safety	2.059		
Urban Development Action Grants	8.906		
Urban Mass Transit	67.682		
Urbanized Area Transportation	8.245		
Vocational & Adult Education	13.427		
Waste Water Treatment Grants	70.810		
Water And Sewer Facility Loans	5.344		
WIN	5.447		
Women, Infants, And Children (WIC)	8.406		
TOTAL	560.825	-59	502

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE.
FOR Massachusetts
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	16.969		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	8.974		
CETA	81.312		
Child Abuse	0.123		
Child Nutrition	64.643		
Child Welfare	1.763		
Community Development Block Grant	81.005		
Community Facility Loans	3.445		
Community Services Block Grant	7.882		
Construction Safety	4.441		
Emergency Assistance	1.954		
Family Planning	2.678		
Foster Care	1.257		
General Revenue Sharing (Local Grants)	108.160		
Grants-In-Aid For Airports	6.113		
Highway Related Safety Grants	0.463		
Interstate Transfers - Highways	0.000		
Legal Services	6.218		
Low Income Home Energy	40.697		
Maternal & Child Health Block Grant	5.970		
Migrant Health Clinics	0.049		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	2.620		
Prevention Block Grant	2.453		
Primary Care Block Grant	4.627		
Primary Care Research And Development	0.055		
Primary Highway System	21.835		
Rehabilitation Services	17.224		
Runaway Youths	0.138		
Rural & Small Urban Transportation	4.429		
Rural Water And Waste Disposal Grants	2.012		
Social Services Block Grant	55.189		
State Block Grant (ECIA Chapter 2)	14.823		
State & Community Highway Safety	2.946		
Urban Development Action Grants	38.559		
Urban Mass Transit	247.816		
Urbanized Area Transportation	22.239		
Vocational & Adult Education	15.403		
Waste Water Treatment Grants	90.300		
Water And Sewer Facility Loans	9.905		
WIN	7.585		
Women, Infants, And Children (WIC)	9.552		
TOTAL	1013.834	-251	763

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Michigan
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	12.239		
Appalachian Highways	0.000		
Black Lung Clinics	0.041		
Bridges	8.246		
CETA	136.210		
Child Abuse	0.201		
Child Nutrition	83.083		
Child Welfare	3.304		
Community Development Block Grant	116.952		
Community Facility Loans	5.940		
Community Services Block Grant	10.923		
Construction Safety	11.247		
Emergency Assistance	5.708		
Family Planning	4.166		
Foster Care	10.460		
General Revenue Sharing (Local Grants)	145.406		
Grants-In-Aid For Airports	11.870		
Highway Related Safety Grants	0.811		
Interstate Transfers - Highways	0.000		
Legal Services	6.138		
Low Income Home Energy	50.361		
Maternal & Child Health Block Grant	9.174		
Migrant Health Clinics	1.418		
OSHA State Grants (Operational Grants)	3.528		
Other Highways	6.918		
Prevention Block Grant	4.060		
Primary Care Block Grant	4.863		
Primary Care Research And Development	0.123		
Primary Highway System	38.645		
Rehabilitation Services	23.407		
Runaway Youths	0.266		
Rural & Small Urban Transportation	8.212		
Rural Water And Waste Disposal Grants	5.612		
Social Services Block Grant	89.833		
State Block Grant (ECIA Chapter 2)	21.476		
State & Community Highway Safety	5.161		
Urban Development Action Grants	42.399		
Urban Mass Transit	62.854		
Urbanized Area Transportation	29.172		
Vocational & Adult Education	23.629		
Waste Water Treatment Grants	127.264		
Water And Sewer Facility Loans	17.227		
WIN	18.716		
Women, Infants, And Children (WIC)	23.957		
TOTAL	1192.219	-39	1,153

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Minnesota
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	3.265		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	16.018		
CETA	37.322		
Child Abuse	0.100		
Child Nutrition	43.321		
Child Welfare	1.301		
Community Development Block Grant	47.004		
Community Facility Loans	5.260		
Community Services Block Grant	3.400		
Construction Safety	4.942		
Emergency Assistance	1.222		
Family Planning	1.239		
Foster Care	2.373		
General Revenue Sharing (Local Grants)	68.791		
Grants-In-Aid For Airports	6.060		
Highway Related Safety Grants	0.444		
Interstate Transfers - Highways	5.676		
Legal Services	3.095		
Low Income Home Energy	36.443		
Maternal & Child Health Block Grant	4.571		
Migrant Health Clinics	0.488		
OSHA State Grants (Operational Grants)	0.915		
Other Highways	3.554		
Prevention Block Grant	1.893		
Primary Care Block Grant	2.472		
Primary Care Research And Development	0.063		
Primary Highway System	26.985		
Rehabilitation Services	12.951		
Runaway Youths	0.112		
Rural & Small Urban Transportation	6.126		
Rural Water And Waste Disposal Grants	4.465		
Social Services Block Grant	37.711		
State Block Grant (ECIA Chapter 2)	7.494		
State & Community Highway Safety	2.820		
Urban Development Action Grants	19.413		
Urban Mass Transit	18.334		
Urbanized Area Transportation	7.817		
Vocational & Adult Education	11.073		
Waste Water Treatment Grants	53.755		
Water And Sewer Facility Loans	10.398		
WIN	5.662		
Women, Infants, And Children (WIC)	8.898		
TOTAL	535.246	-299	236

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Mississippi
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	4.675		
Appalachian Highways	6.520		
Black Lung Clinics	0.000		
Bridges	4.095		
CETA	33.942		
Child Abuse	0.077		
Child Nutrition	60.642		
Child Welfare	1.094		
Community Development Block Grant	29.427		
Community Facility Loans	6.961		
Community Services Block Grant	4.659		
Construction Safety	2.744		
Emergency Assistance	0.000		
Family Planning	2.279		
Foster Care	0.867		
General Revenue Sharing (Local Grants)	48.203		
Grants-In-Aid For Airports	3.635		
Highway Related Safety Grants	0.255		
Interstate Transfers - Highways	0.000		
Legal Services	5.024		
Low Income Home Energy	6.010		
Maternal & Child Health Block Grant	4.732		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	2.572		
Prevention Block Grant	1.506		
Primary Care Block Grant	8.031		
Primary Care Research And Development	0.286		
Primary Highway System	15.057		
Rehabilitation Services	11.416		
Runaway Youths	0.070		
Rural & Small Urban Transportation	5.750		
Rural Water And Waste Disposal Grants	6.930		
Social Services Block Grant	21.422		
State Block Grant (ECIA Chapter 2)	7.758		
State & Community Highway Safety	1.227		
Urban Development Action Grants	3.913		
Urban Mass Transit	1.348		
Urbanized Area Transportation	3.425		
Vocational & Adult Education	8.209		
Waste Water Treatment Grants	30.093		
Water And Sewer Facility Loans	15.293		
WIN	2.376		
Women, Infants, And Children (WIC)	11.625		
TOTAL	384.150	184	568

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Missouri
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	7.409		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	13.915		
CETA	52.658		
Child Abuse	0.084		
Child Nutrition	53.507		
Child Welfare	1.925		
Community Development Block Grant	66.621		
Community Facility Loans	6.102		
Community Services Block Grant	6.803		
Construction Safety	7.591		
Emergency Assistance	0.028		
Family Planning	2.726		
Foster Care	0.925		
General Revenue Sharing (Local Grants)	62.569		
Grants-In-Aid For Airports	16.493		
Highway Related Safety Grants	0.499		
Interstate Transfers - Highways	0.000		
Legal Services	4.078		
Low Income Home Energy	20.744		
Maternal & Child Health Block Grant	6.048		
Migrant Health Clinics	0.082		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	4.816		
Prevention Block Grant	2.145		
Primary Care Block Grant	8.056		
Primary Care Research And Development	0.418		
Primary Highway System	24.914		
Rehabilitation Services	15.695		
Runaway Youths	0.169		
Rural & Small Urban Transportation	7.489		
Rural Water And Waste Disposal Grants	5.859		
Social Services Block Grant	45.791		
State Block Grant (ECIA Chapter 2)	16.752		
State & Community Highway Safety	3.178		
Urban Development Action Grants	11.706		
Urban Mass Transit	40.860		
Urbanized Area Transportation	13.889		
Vocational & Adult Education	13.773		
Waste Water Treatment Grants	72.683		
Water And Sewer Facility Loans	10.961		
WIN	4.318		
Women, Infants, And Children (WIC)	10.908		
TOTAL	645.187	48	693

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Montana
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	1.920		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	1.608		
CETA	9.410		
Child Abuse	0.040		
Child Nutrition	8.512		
Child Welfare	0.390		
Community Development Block Grant	6.950		
Community Facility Loans	1.348		
Community Services Block Grant	1.078		
Construction Safety	1.350		
Emergency Assistance	0.020		
Family Planning	0.728		
Foster Care	0.400		
General Revenue Sharing (Local Grants)	13.209		
Grants-In-Aid For Airports	4.128		
Highway Related Safety Grants	0.143		
Interstate Transfers - Highways	0.000		
Legal Services	0.824		
Low Income Home Energy	6.105		
Maternal & Child Health Block Grant	1.172		
Migrant Health Clinics	0.049		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	6.192		
Prevention Block Grant	0.933		
Primary Care Block Grant	0.186		
Primary Care Research And Development	0.423		
Primary Highway System	11.902		
Rehabilitation Services	2.586		
Runaway Youths	0.000		
Rural & Small Urban Transportation	5.231		
Rural Water And Waste Disposal Grants	0.962		
Social Services Block Grant	7.606		
State Block Grant (ECIA Chapter 2)	2.698		
State & Community Highway Safety	0.907		
Urban Development Action Grants	0.983		
Urban Mass Transit	1.427		
Urbanized Area Transportation	3.090		
Vocational & Adult Education	2.782		
Waste Water Treatment Grants	14.010		
Water And Sewer Facility Loans	2.467		
WIN	1.233		
Women, Infants, And Children (WIC)	3.249		
TOTAL	128.247	-4	124

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Nebraska
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	3.005		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	10.439		
CETA	11.676		
Child Abuse	0.054		
Child Nutrition	14.270		
Child Welfare	0.609		
Community Development Block Grant	14.386		
Community Facility Loans	0.875		
Community Services Block Grant	1.859		
Construction Safety	4.669		
Emergency Assistance	0.119		
Family Planning	0.847		
Foster Care	0.707		
General Revenue Sharing (Local Grants)	23.069		
Grants-In-Aid For Airports	4.100		
Highway Related Safety Grants	0.230		
Interstate Transfers - Highways	5.204		
Legal Services	1.334		
Low Income Home Energy	7.892		
Maternal & Child Health Block Grant	2.235		
Migrant Health Clinics	0.108		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	1.611		
Prevention Block Grant	1.389		
Primary Care Block Grant	0.410		
Primary Care Research And Development	0.000		
Primary Highway System	15.497		
Rehabilitation Services	4.565		
Runaway Youths	0.069		
Rural & Small Urban Transportation	4.637		
Rural Water And Waste Disposal Grants	2.259		
Social Services Block Grant	15.502		
State Block Grant (ECIA Chapter 2)	4.389		
State & Community Highway Safety	1.466		
Urban Development Action Grants	0.188		
Urban Mass Transit	9.214		
Urbanized Area Transportation	3.337		
Vocational & Adult Education	4.626		
Waste Water Treatment Grants	14.047		
Water And Sewer Facility Loans	4.339		
WIN	0.868		
Women, Infants, And Children (WIC)	3.150		
TOTAL	159.249	-17	182

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Nevada
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	2.690		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	0.849		
CETA	7.113		
Child Abuse	0.014		
Child Nutrition	6.140		
Child Welfare	0.269		
Community Development Block Grant	5.189		
Community Facility Loans	0.077		
Community Services Block Grant	0.610		
Construction Safety	1.417		
Emergency Assistance	0.000		
Family Planning	0.534		
Foster Care	0.283		
General Revenue Sharing (Local Grants)	9.204		
Grants-In-aid For Airports	8.051		
Highway Related Safety Grants	0.105		
Interstate Transfers - Highways	0.000		
Legal Services	0.356		
Low Income Home Energy	1.768		
Maternal & Child Health Block Grant	0.626		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.376		
Other Highways	2.903		
Prevention Block Grant	0.438		
Primary Care Block Grant	0.680		
Primary Care Research And Development	0.000		
Primary Highway System	9.100		
Rehabilitation Services	2.567		
Runaway Youths	0.048		
Rural & Small Urban Transportation	3.188		
Rural Water And Waste Disposal Grants	0.205		
Social Services Block Grant	5.048		
State Block Grant (ECIA Chapter 2)	1.563		
State & Community Highway Safety	0.655		
Urban Development Action Grants	0.000		
Urban Mass Transit	1.928		
Urbanized Area Transportation	2.011		
Vocational & Adult Education	1.681		
Waste Water Treatment Grants	10.824		
Water And Sewer Facility Loans	1.945		
WIN	0.817		
Women, Infants, And Children (WIC)	2.547		
TOTAL	93.828	-39	55

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR New Hampshire
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	4.001		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	4.464		
CETA	7.072		
Child Abuse	0.041		
Child Nutrition	8.968		
Child Welfare	0.316		
Community Development Block Grant	6.874		
Community Facility Loans	1.018		
Community Services Block Grant	0.788		
Construction Safety	1.498		
Emergency Assistance	0.000		
Family Planning	0.339		
Foster Care	0.476		
General Revenue Sharing (Local Grants)	11.633		
Grants-In-Aid For Airports	0.937		
Highway Related Safety Grants	0.104		
Interstate Transfers - Highways	0.000		
Legal Services	0.627		
Low Income Home Energy	7.857		
Maternal & Child Health Block Grant	1.189		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	1.630		
Prevention Block Grant	0.892		
Primary Care Block Grant	0.109		
Primary Care Research And Development	0.098		
Primary Highway System	6.737		
Rehabilitation Services	2.948		
Runaway Youths	0.040		
Rural & Small Urban Transportation	1.536		
Rural Water And Waste Disposal Grants	0.788		
Social Services Block Grant	8.246		
State Block Grant (ECIA Chapter 2)	2.541		
State & Community Highway Safety	0.665		
Urban Development Action Grants	2.378		
Urban Mass Transit	0.781		
Urbanized Area Transportation	3.299		
Vocational & Adult Education	2.545		
Waste Water Treatment Grants	23.820		
Water And Sewer Facility Loans	3.103		
WIN	0.570		
Women, Infants, And Children (WIC)	1.926		
TOTAL	122.856	-16	107

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR New Jersey
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	17.755		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	8.804		
CETA	93.198		
Child Abuse	0.153		
Child Nutrition	78.285		
Child Welfare	2.152		
Community Development Block Grant	93.232		
Community Facility Loans	3.074		
Community Services Block Grant	7.750		
Construction Safety	7.018		
Emergency Assistance	0.910		
Family Planning	4.024		
Foster Care	0.633		
General Revenue Sharing (Local Grants)	113.320		
Grants-In-Aid For Airports	7.683		
Highway Related Safety Grants	0.572		
Interstate Transfers - Highways	0.678		
Legal Services	4.672		
Low Income Home Energy	36.051		
Maternal & Child Health Block Grant	5.609		
Migrant Health Clinics	0.129		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	10.130		
Prevention Block Grant	2.475		
Primary Care Block Grant	4.707		
Primary Care Research And Development	0.142		
Primary Highway System	29.317		
Rehabilitation Services	15.845		
Runaway Youths	0.206		
Rural & Small Urban Transportation	3.169		
Rural Water And Waste Disposal Grants	1.737		
Social Services Block Grant	75.336		
State Block Grant (ECIA Chapter 2)	17.412		
State & Community Highway Safety	3.636		
Urban Development Action Grants	20.067		
Urban Mass Transit	164.923		
Urbanized Area Transportation	23.475		
Vocational & Adult Education	21.006		
Waste Water Treatment Grants	118.625		
Water And Sewer Facility Loans	15.322		
WIN	10.149		
Women, Infants, And Children (WIC)	11.885		
TOTAL	1036.265	-132	904

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR New Mexico
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	5.307		
Appalachian Highways	0.000		
Black Lung Clinics	0.025		
Bridges	1.166		
CETA	15.041		
Child Abuse	0.051		
Child Nutrition	21.425		
Child Welfare	0.548		
Community Development Block Grant	12.663		
Community Facility Loans	0.565		
Community Services Block Grant	1.804		
Construction Safety	1.994		
Emergency Assistance	0.000		
Family Planning	1.349		
Foster Care	0.065		
General Revenue Sharing (Local Grants)	21.489		
Grants-In-Aid For Airports	4.353		
Highway Related Safety Grants	0.142		
Interstate Transfers - Highways	0.000		
Legal Services	1.920		
Low Income Home Energy	4.462		
Maternal & Child Health Block Grant	1.875		
Migrant Health Clinics	0.377		
OSHA State Grants (Operational Grants)	0.205		
Other Highways	3.192		
Prevention Block Grant	1.265		
Primary Care Block Grant	3.395		
Primary Care Research And Development	0.281		
Primary Highway System	20.550		
Rehabilitation Services	4.928		
Runaway Youths	0.082		
Rural & Small Urban Transportation	3.417		
Rural Water And Waste Disposal Grants	1.063		
Social Services Block Grant	13.016		
State Block Grant (ECIA Chapter 2)	3.951		
State & Community Highway Safety	0.802		
Urban Development Action Grants	1.819		
Urban Mass Transit	2.706		
Urbanized Area Transportation	2.717		
Vocational & Adult Education	5.579		
Waste Water Treatment Grants	13.223		
Water And Sewer Facility Loans	3.116		
WIN	1.175		
Women, Infants, And Children (WIC)	3.861		
TOTAL	187.068	64	251

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR New York
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	38.516		
Appalachian Highways	8.987		
Black Lung Clinics	0.000		
Bridges	51.292		
CETA	238.325		
Child Abuse	0.315		
Child Nutrition	233.913		
Child Welfare	5.563		
Community Development Block Grant	315.239		
Community Facility Loans	6.708		
Community Services Block Grant	26.254		
Construction Safety	16.130		
Emergency Assistance	12.116		
Family Planning	7.358		
Foster Care	85.437		
General Revenue Sharing (Local Grants)	372.389		
Grants-In-Aid For Airports	18.630		
Highway Related Safety Grants	1.487		
Interstate Transfers - Highways	13.926		
Legal Services	16.840		
Low Income Home Energy	120.934		
Maternal & Child Health Block Grant	19.850		
Migrant Health Clinics	0.390		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	14.096		
Prevention Block Grant	6.843		
Primary Care Block Grant	25.887		
Primary Care Research And Development	0.267		
Primary Highway System	76.331		
Rehabilitation Services	44.833		
Runaway Youths	0.549		
Rural & Small Urban Transportation	10.907		
Rural Water And Waste Disposal Grants	7.224		
Social Services Block Grant	185.210		
State Block Grant (ECIA Chapter 2)	59.201		
State & Community Highway Safety	9.459		
Urban Development Action Grants	47.686		
Urban Mass Transit	467.518		
Urbanized Area Transportation	64.971		
Vocational & Adult Education	54.099		
Waste Water Treatment Grants	333.913		
Water And Sewpr Facility Loans	28.343		
WIN	23.389		
Women, Infants, And Children (WIC)	41.301		
TOTAL	3112.628	-2,329	784

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR North Carolina
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	8.696		
Appalachian Highways	4.637		
Black Lung Clinics	0.000		
Bridges	12.986		
CETA	57.295		
Child Abuse	0.129		
Child Nutrition	106.248		
Child Welfare	1.975		
Community Development Block Grant	49.042		
Community Facility Loans	9.218		
Community Services Block Grant	8.045		
Construction Safety	8.251		
Emergency Assistance	0.000		
Family Planning	3.175		
Foster Care	0.996		
General Revenue Sharing (Local Grants)	85.820		
Grants-In-Aid For Airports	9.044		
Highway Related Safety Grants	0.495		
Interstate Transfers - Highways	0.000		
Legal Services	6.810		
Low Income Home Energy	17.633		
Maternal & Child Health Block Grant	8.565		
Migrant Health Clinics	0.473		
OSHA State Grants (Operational Grants)	1.197		
Other Highways	3.176		
Prevention Block Grant	2.526		
Primary Care Block Grant	6.442		
Primary Care Research And Development	0.116		
Primary Highway System	42.827		
Rehabilitation Services	21.188		
Runaway Youths	0.106		
Rural & Small Urban Transportation	9.304		
Rural Water And Waste Disposal Grants	9.932		
Social Services Block Grant	55.440		
State Block Grant (ECIA Chapter 2)	11.979		
State & Community Highway Safety	3.153		
Urban Development Action Grants	3.999		
Urban Mass Transit	12.948		
Urbanized Area Transportation	8.463		
Vocational & Adult Education	22.522		
Waste Water Treatment Grants	64.270		
Water And Sewer Facility Loans	27.650		
WIN	3.646		
Women, Infants, And Children (WIC)	22.091		
TOTAL	732.512	97	830

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR North Dakota
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	1.114		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	4.013		
CETA	5.615		
Child Abuse	0.038		
Child Nutrition	7.049		
Child Welfare	0.307		
Community Development Block Grant	6.112		
Community Facility Loans	1.319		
Community Services Block Grant	0.636		
Construction Safety	2.673		
Emergency Assistance	0.000		
Family Planning	0.413		
Foster Care	0.393		
General Revenue Sharing (Local Grants)	9.506		
Grants-In-Aid For Airports	3.140		
Highway Related Safety Grants	0.159		
Interstate Transfers - Highways	0.000		
Legal Services	0.754		
Low Income Home Energy	6.960		
Maternal & Child Health Block Grant	0.920		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	1.096		
Prevention Block Grant	0.414		
Primary Care Block Grant	0.116		
Primary Care Research And Development	0.177		
Primary Highway System	10.742		
Rehabilitation Services	2.515		
Runaway Youths	0.000		
Rural & Small Urban Transportation	4.316		
Rural Water And Waste Disposal Grants	1.128		
Social Services Block Grant	6.344		
State Block Grant (ECIA Chapter 2)	2.129		
State & Community Highway Safety	1.009		
Urban Development Action Grants	0.312		
Urban Mass Transit	2.212		
Urbanized Area Transportation	2.991		
Vocational & Adult Education	3.282		
Waste Water Treatment Grants	10.111		
Water And Sewer Facility Loans	3.180		
WIN	0.711		
Women, Infants, And Children (WIC)	2.396		
TOTAL	106.303	-24	82

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Ohio
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	23.538		
Appalachian Highways	2.942		
Black Lung Clinics	0.328		
Bridges	14.872		
CETA	121.034		
Child Abuse	0.222		
Child Nutrition	105.312		
Child Welfare	3.528		
Community Development Block Grant	136.893		
Community Facility Loans	5.006		
Community Services Block Grant	11.422		
Construction Safety	13.247		
Emergency Assistance	7.563		
Family Planning	4.058		
Foster Care	2.313		
General Revenue Sharing (Local Grants)	138.383		
Grants-In-Aid For Airports	10.065		
Highway Related Safety Grants	0.931		
Interstate Transfers - Highways	6.825		
Legal Services	7.148		
Low Income Home Energy	48.370		
Maternal & Child Health Block Grant	10.847		
Migrant Health Clinics	0.484		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	4.423		
Prevention Block Grant	4.172		
Primary Care Block Grant	9.459		
Primary Care Research And Development	0.056		
Primary Highway System	44.956		
Rehabilitation Services	30.916		
Runaway Youths	0.472		
Rural & Small Urban Transportation	13.653		
Rural Water And Waste Disposal Grants	6.554		
Social Services Block Grant	100.048		
State Block Grant (ECIA Chapter 2)	28.894		
State & Community Highway Safety	5.922		
Urban Development Action Grants	25.834		
Urban Mass Transit	86.264		
Urbanized Area Transportation	26.266		
Vocational & Adult Education	33.002		
Waste Water Treatment Grants	175.316		
Water And Sewer Facility Loans	19.138		
WIN	14.228		
Women, Infants, And Children (WIC)	25.812		
TOTAL	1330.713	71	1,402

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Oklahoma
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	7.124		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	2.580		
CETA	23.180		
Child Abuse	0.078		
Child Nutrition	33.961		
Child Welfare	1.136		
Community Development Block Grant	27.909		
Community Facility Loans	3.960		
Community Services Block Grant	3.546		
Construction Safety	5.240		
Emergency Assistance	0.552		
Family Planning	1.866		
Foster Care	0.681		
General Revenue Sharing (Local Grants)	38.859		
Grants-In-Aid For Airports	8.420		
Highway Related Safety Grants	0.334		
Interstate Transfers - Highways	0.000		
Legal Services	3.023		
Low Income Home Energy	7.189		
Maternal & Child Health Block Grant	3.430		
Migrant Health Clinics	0.066		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	2.984		
Prevention Block Grant	1.018		
Primary Care Block Grant	2.574		
Primary Care Research And Development	0.018		
Primary Highway System	17.666		
Rehabilitation Services	10.136		
Runaway Youths	0.142		
Rural & Small Urban Transportation	7.005		
Rural Water And Waste Disposal Grants	4.913		
Social Services Block Grant	27.783		
State Block Grant (ECIA Chapter 2)	5.362		
State & Community Highway Safety	2.121		
Urban Development Action Grants	5.716		
Urban Mass Transit	4.900		
Urbanized Area Transportation	4.809		
Vocational & Adult Education	8.555		
Waste Water Treatment Grants	29.593		
Water And Sewer Facility Loans	17.435		
WIN	1.713		
Women, Infants, And Children (WIC)	9.722		
TOTAL	337.297	-82	255

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Oregon
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	3.929		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	4.618		
CETA	30.877		
Child Abuse	0.000		
Child Nutrition	22.156		
Child Welfare	0.866		
Community Development Block Grant	20.391		
Community Facility Loans	1.768		
Community Services Block Grant	2.339		
Construction Safety	3.240		
Emergency Assistance	0.650		
Family Planning	1.404		
Foster Care	3.045		
General Revenue Sharing (Local Grants)	39.232		
Grants-In-Aid For Airports	5.785		
Highway Related Safety Grants	0.299		
Interstate Transfers - Highways	25.459		
Legal Services	2.229		
Low Income Home Energy	11.243		
Maternal & Child Health Block Grant	3.059		
Migrant Health Clinics	0.330		
OSHA State Grants (Operational Grants)	2.053		
Other Highways	6.501		
Prevention Block Grant	1.011		
Primary Care Block Grant	3.500		
Primary Care Research And Development	0.105		
Primary Highway System	19.667		
Rehabilitation Services	7.262		
Runaway Youths	0.103		
Rural & Small Urban Transportation	4.717		
Rural Water And Waste Disposal Grants	2.742		
Social Services Block Grant	22.480		
State Block Grant (ECIA Chapter 2)	4.410		
State & Community Highway Safety	1.904		
Urban Development Action Grants	1.336		
Urban Mass Transit	29.656		
Urbanized Area Transportation	3.508		
Vocational & Adult Education	6.303		
Waste Water Treatment Grants	38.242		
Water And Sewer Facility Loans	7.536		
WIN	7.244		
Women, Infants, And Children (WIC)	6.589		
TOTAL	359.791	37	397

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Pennsylvania
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	21.850		
Appalachian Highways	39.627		
Black Lung Clinics	0.853		
Bridges	33.238		
CETA	163.356		
Child Abuse	0.000		
Child Nutrition	115.573		
Child Welfare	3.316		
Community Development Block Grant	185.328		
Community Facility Loans	7.553		
Community Services Block Grant	11.315		
Construction Safety	12.938		
Emergency Assistance	0.151		
Family-Planning	5.498		
Foster Care	18.408		
General Revenue Sharing (Local Grants)	168.833		
Grants-In-Aid For Airports	14.692		
Highway Related Safety Grants	1.024		
Interstate Transfers - Highways	5.127		
Legal Services	7.860		
Low Income Home Energy	62.706		
Maternal & Child Health Block Grant	12.680		
Migrant Health Clinics	0.185		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	13.057		
Prevention Block Grant	5.335		
Primary Care Block Grant	9.275		
Primary Care Research And Development	0.343		
Primary Highway System	80.196		
Rehabilitation Services	34.739		
Runaway Youths	0.290		
Rural & Small Urban Transportation	12.924		
Rural Water And Waste Disposal Grants	8.643		
Social Services Block Grant	112.738		
State Block Grant (ECIA Chapter 2)	22.659		
State & Community Highway Safety	6.511		
Urban Development Action Grants	32.656		
Urban Mass Transit	253.173		
Urbanized Area Transportation	42.936		
Vocational & Adult Education	31.138		
Waste Water Treatment Grants	129.534		
Water And Sewer Facility Loans	27.112		
WIN	11.268		
Women, Infants, And Children (WIC)	19.366		
TOTAL	1746.001	-92	1,654

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Rhode Island
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	4.047		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	1.909		
CETA	14.301		
Child Abuse	0.041		
Child Nutrition	9.468		
Child Welfare	0.358		
Community Development Block Grant	13.601		
Community Facility Loans	0.895		
Community Services Block Grant	1.655		
Construction Safety	1.672		
Emergency Assistance	0.000		
Family Planning	0.284		
Foster Care	0.185		
General Revenue Sharing (Local Grants)	14.921		
Grants-In-Aid For Airports	1.969		
Highway Related Safety Grants	0.104		
Interstate Transfers - Highways	0.000		
Legal Services	0.716		
Low Income Home Energy	6.516		
Maternal & Child Health Block Grant	0.877		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	1.115		
Prevention Block Grant	0.581		
Primary Care Block Grant	1.724		
Primary Care Research And Development	0.047		
Primary Highway System	6.069		
Rehabilitation Services	3.376		
Runaway Youths	0.034		
Rural & Small Urban Transportation	2.061		
Rural Water And Waste Disposal Grants	0.332		
Social Services Block Grant	9.155		
State Block Grant (ECIA Chapter 2)	2.437		
State & Community Highway Safety	0.665		
Urban Development Action Grants	0.633		
Urban Mass Transit	6.660		
Urbanized Area Transportation	4.590		
Vocational & Adult Education	3.422		
Waste Water Treatment Grants	15.278		
Water And Sewer Facility Loans	0.641		
WIN	1.531		
Women, Infants, And Children (WIC)	2.756		
TOTAL	136.626	-17	120

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR South Carolina
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	5.782		
Appalachian Highways	1.521		
Black Lung Clinics	0.000		
Bridges	8.015		
CETA	34.125		
Child Abuse	0.084		
Child Nutrition	57.573		
Child Welfare	1.355		
Community Development Block Grant	27.742		
Community Facility Loans	9.487		
Community Services Block Grant	4.583		
Construction Safety	3.769		
Emergency Assistance	0.000		
Family Planning	2.922		
Foster Care	0.482		
General Revenue Sharing (Local Grants)	47.277		
Grants-In-Aid For Airports	5.388		
Highway Related Safety Grants	0.272		
Interstate Transfers - Highways	0.000		
Legal Services	3.587		
Low Income Home Energy	6.370		
Maternal & Child Health Block Grant	5.732		
Migrant Health Clinics	0.500		
OSHA State Grants (Operational Grants)	0.761		
Other Highways	3.323		
Prevention Block Grant	1.744		
Primary Care Block Grant	6.992		
Primary Care Research And Development	0.087		
Primary Highway System	13.923		
Rehabilitation Services	11.875		
Runaway Youths	0.076		
Rural & Small Urban Transportation	4.590		
Rural Water And Waste Disposal Grants	5.002		
Social Services Block Grant	27.851		
State Block Grant (ECIA Chapter 2)	7.485		
State & Community Highway Safety	1.732		
Urban Development Action Grants	5.878		
Urban Mass Transit	1.257		
Urbanized Area Transportation	3.808		
Vocational & Adult Education	9.849		
Waste Water Treatment Grants	38.198		
Water And Sewer Facility Loans	19.632		
WIN	2.260		
Women, Infants, And Children (WIC)	14.246		
TOTAL	407.138	154	561

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR South Dakota
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	2.600		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	2.192		
CETA	5.806		
Child Abuse	0.038		
Child Nutrition	9.408		
Child Welfare	0.358		
Community Development Block Grant	7.315		
Community Facility Loans	2.894		
Community Services Block Grant	0.821		
Construction Safety	2.357		
Emergency Assistance	0.000		
Family Planning	0.386		
Foster Care	0.414		
General Revenue Sharing (Local Grants)	11.632		
Grants-In-Aid For Airports	2.637		
Highway Related Safety Grants	0.145		
Interstate Transfers - Highways	0.000		
Legal Services	1.216		
Low Income Home Energy	5.761		
Maternal & Child Health Block Grant	1.153		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	2.072		
Prevention Block Grant	0.343		
Primary Care Block Grant	0.833		
Primary Care Research And Development	0.074		
Primary Highway System	11.934		
Rehabilitation Services	2.403		
Runaway Youths	0.117		
Rural & Small Urban Transportation	4.738		
Rural Water And Waste Disposal Grants	2.660		
Social Services Block Grant	7.380		
State Block Grant (ECIA Chapter 2)	1.869		
State & Community Highway Safety	0.923		
Urban Development Action Grants	1.401		
Urban Mass Transit	1.457		
Urbanized Area Transportation	2.684		
Vocational & Adult Education	1.955		
Waste Water Treatment Grants	15.228		
Water And Sewer Facility Loans	7.519		
WIN	1.135		
Women, Infants, And Children (WIC)	2.690		
TOTAL	126.547	1	128

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Tennessee
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	6.095		
Appalachian Highways	21.965		
Black Lung Clinics	0.271		
Bridges	11.661		
CETA	51.891		
Child Abuse	0.106		
Child Nutrition	62.433		
Child Welfare	1.873		
Community Development Block Grant	47.308		
Community Facility Loans	6.656		
Community Services Block Grant	5.745		
Construction Safety	6.660		
Emergency Assistance	0.000		
Family Planning	3.361		
Foster Care	1.754		
General Revenue Sharing (Local Grants)	65.038		
Grants-In-Aid For Airports	7.150		
Highway Related Safety Grants	0.397		
Interstate Transfers - Highways	0.000		
Legal Services	5.367		
Low Income Home Energy	12.192		
Maternal & Child Health Block Grant	5.773		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.795		
Other Highways	6.777		
Prevention Block Grant	1.733		
Primary Care Block Grant	6.651		
Primary Care Research And Development	0.138		
Primary Highway System	20.878		
Rehabilitation Services	16.313		
Runaway Youths	0.148		
Rural & Small Urban Transportation	8.071		
Rural Water And Waste Disposal Grants	6.866		
Social Services Block Grant	39.615		
State Block Grant (ECIA Chapter 2)	8.617		
State & Community Highway Safety	2.513		
Urban Development Action Grants	8.778		
Urban Mass Transit	16.615		
Urbanized Area Transportation	9.487		
Vocational & Adult Education	13.460		
Waste Water Treatment Grants	39.460		
Water And Sewer Facility Loans	23.695		
WIN	2.690		
Women, Infants, And Children (WIC)	17.373		
TOTAL	574.368	135	709

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Texas
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	16.519		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	18.976		
CETA	107.399		
Child Abuse	0.289		
Child Nutrition	196.636		
Child Welfare	4.298		
Community Development Block Grant	152.272		
Community Facility Loans	7.286		
Community Services Block Grant	13.738		
Construction Safety	18.049		
Emergency Assistance	0.000		
Family Planning	7.198		
Foster Care	2.394		
General Revenue Sharing (Local Grants)	168.604		
Grants-In-Aid For Airports	24.107		
Highway Related Safety Grants	1.169		
Interstate Transfers - Highways	0.000		
Legal Services	14.176		
Low Income Home Energy	18.390		
Maternal & Child Health Block Grant	13.407		
Migrant Health Clinics	5.629		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	6.439		
Prevention Block Grant	4.006		
Primary Care Block Grant	8.143		
Primary Care Research And Development	0.050		
Primary Highway System	62.299		
Rehabilitation Services	40.486		
Runaway Youths	0.527		
Rural & Small Urban Transportation	16.089		
Rural Water And Waste Disposal Grants	12.031		
Social Services Block Grant	134.683		
State Block Grant (ECIA Chapter 2)	32.603		
State & Community Highway Safety	7.235		
Urban Development Action Grants	19.127		
Urban Mass Transit	49.331		
Urbanized Area Transportation	36.404		
Vocational & Adult Education	36.713		
Waste Water Treatment Grants	133.795		
Water And Sewer Facility Loans	35.095		
WIN	7.388		
Women, Infants, And Children (WIC)	32.896		
TOTAL	1465.879	-106	1,360

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Utah
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	3.200		
Appalachian Highways	0.000		
Black Lung Clinics	0.037		
Bridges	1.029		
CETA	10.643		
Child Abuse	0.058		
Child Nutrition	15.379		
Child Welfare	0.712		
Community Development Block Grant	13.300		
Community Facility Loans	1.186		
Community Services Block Grant	1.222		
Construction Safety	1.636		
Emergency Assistance	0.000		
Family Planning	0.497		
Foster Care	0.383		
General Revenue Sharing (Local Grants)	22.366		
Grants-In-Aid For Airports	3.164		
Highway Related Safety Grants	0.139		
Interstate Transfers - Highways	0.000		
Legal Services	0.869		
Low Income Home Energy	5.716		
Maternal & Child Health Block Grant	2.965		
Migrant Health Clinics	0.191		
OSHA State Grants (Operational Grants)	0.436		
Other Highways	4.143		
Prevention Block Grant	0.793		
Primary Care Block Grant	1.816		
Primary Care Research And Development	0.189		
Primary Highway System	10.298		
Rehabilitation Services	5.176		
Runaway Youths	0.049		
Rural & Small Urban Transportation	2.652		
Rural Water And Waste Disposal Grants	0.864		
Social Services Block Grant	12.965		
State Block Grant (ECIA Chapter 2)	3.187		
State & Community Highway Safety	0.883		
Urban Development Action Grants	2.635		
Urban Mass Transit	13.793		
Urbanized Area Transportation	3.224		
Vocational & Adult Education	4.507		
Waste Water Treatment Grants	17.555		
Water And Sewer Facility Loans	4.150		
WIN	3.422		
Women, Infants, And Children (WIC)	4.442		
TOTAL	181.868	0	182

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Vermont
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	3.144		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	3.679		
CETA	5.756		
Child Abuse	0.034		
Child Nutrition	5.664		
Child Welfare	0.255		
Community Development Block Grant	3.656		
Community Facility Loans	0.829		
Community Services Block Grant	0.618		
Construction Safety	1.525		
Emergency Assistance	0.039		
Family Planning	0.329		
Foster Care	0.319		
General Revenue Sharing (Local Grants)	10.286		
Grants-In-Aid For Airports	1.059		
Highway Related Safety Grants	0.104		
Interstate Transfers - Highways	0.000		
Legal Services	0.557		
Low Income Home Energy	5.427		
Maternal & Child Health Block Grant	0.985		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.240		
Other Highways	1.093		
Prevention Block Grant	0.527		
Primary Care Block Grant	0.361		
Primary Care Research And Development	0.118		
Primary Highway System	6.443		
Rehabilitation Services	2.587		
Runaway Youths	0.068		
Rural & Small Urban Transportation	3.434		
Rural Water And Waste Disposal Grants	1.361		
Social Services Block Grant	5.017		
State Block Grant (ECIA Chapter 2)	1.908		
State & Community Highway Safety	0.665		
Urban Development Action Grants	0.799		
Urban Mass Transit	2.103		
Urbanized Area Transportation	2.525		
Vocational & Adult Education	1.639		
Waste Water Treatment Grants	12.772		
Water And Sewer Facility Loans	3.059		
WIN	1.663		
Women, Infants, And Children (WIC)	4.541		
TOTAL	96.188	21	117

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Virginia
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	7.100		
Appalachian Highways	3.731		
Black Lung Clinics	0.113		
Bridges	18.020		
CETA	54.450		
Child Abuse	0.118		
Child Nutrition	58.690		
Child Welfare	2.003		
Community Development Block Grant	47.666		
Community Facility Loans	2.950		
Community Services Block Grant	4.826		
Construction Safety	4.437		
Emergency Assistance	0.431		
Family Planning	2.211		
Foster Care	1.974		
General Revenue Sharing (Local Grants)	71.338		
Grants-In-Aid For Airports	8.014		
Highway Related Safety Grants	0.426		
Interstate Transfers - Highways	0.000		
Legal Services	4.481		
Low Income Home Energy	17.907		
Maternal & Child Health Block Grant	6.322		
Migrant Health Clinics	0.000		
OSHA State Grants (Operational Grants)	0.880		
Other Highways	3.604		
Prevention Block Grant	2.413		
Primary Care Block Grant	2.114		
Primary Care Research And Development	0.742		
Primary Highway System	14.914		
Rehabilitation Services	16.161		
Runaway Youths	0.080		
Rural & Small Urban Transportation	4.480		
Rural Water And Waste Disposal Grants	5.033		
Social Services Block Grant	49.091		
State Block Grant (ECIA Chapter 2)	12.845		
State & Community Highway Safety	2.712		
Urban Development Action Grants	5.434		
Urban Mass Transit	16.251		
Urbanized Area Transportation	15.122		
Vocational & Adult Education	14.856		
Waste Water Treatment Grants	64.713		
Water And Sewer Facility Loans	10.842		
WIN	3.892		
Women, Infants, And Children (WIC)	12.466		
TOTAL	575.857	38	614

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Washington
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	8.065		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	31.353		
CETA	48.851		
Child Abuse	0.096		
Child Nutrition	35.074		
Child Welfare	1.401		
Community Development Block Grant	39.498		
Community Facility Loans	3.496		
Community Services Block Grant	3.819		
Construction Safety	4.748		
Emergency Assistance	2.094		
Family Planning	1.920		
Foster Care	1.608		
General Revenue Sharing (Local Grants)	48.881		
Grants-In-Aid For Airports	9.705		
Highway Related Safety Grants	0.357		
Interstate Transfers - Highways	0.000		
Legal Services	3.264		
Low Income Home Energy	18.938		
Maternal & Child Health Block Grant	4.038		
Migrant Health Clinics	1.258		
OSHA State Grants (Operational Grants)	2.442		
Other Highways	5.816		
Prevention Block Grant	1.399		
Primary Care Block Grant	4.637		
Primary Care Research And Development	0.145		
Primary Highway System	17.[illegible]37		
Rehabilitation Services	11.249		
Runaway Youths	0.181		
Rural & Small Urban Transportation	5.710		
Rural Water And Waste Disposal Grants	2.718		
Social Services Block Grant	38.499		
State Block Grant (ECIA Chapter 2)	11.508		
State & Community Highway Safety	2.270		
Urban Development Action Grants	2.364		
Urban Mass Transit	33.957		
Urbanized Area Transportation	10.269		
Vocational & Adult Education	9.983		
Waste Water Treatment Grants	55.702		
Water And Sewer Facility Loans	6.779		
WIN	8.717		
Women, Infants, And Children (WIC)	7.683		
TOTAL	507.629	-8	500

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR West Virginia
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	3.937		
Appalachian Highways	29.294		
Black Lung Clinics	1.172		
Bridges	15.759		
CETA	26.455		
Child Abuse	0.060		
Child Nutrition	27.465		
Child Welfare	0.772		
Community Development Block Grant	20.273		
Community Facility Loans	2.941		
Community Services Block Grant	3.173		
Construction Safety	2.914		
Emergency Assistance	0.386		
Family Planning	0.643		
Foster Care	0.820		
General Revenue Sharing (Local Grants)	31.190		
Grants-In-Aid For Airports	2.568		
Highway Related Safety Grants	0.175		
Interstate Transfers - Highways	0.000		
Legal Services	2.730		
Low Income Home Energy	6.304		
Maternal & Child Health Block Grant	3.274		
Migrant Health Clinics	0.080		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	3.426		
Prevention Block Grant	1.174		
Primary Care Block Grant	4.787		
Primary Care Research And Development	0.363		
Primary Highway System	9.644		
Rehabilitation Services	9.854		
Runaway Youths	0.083		
Rural & Small Urban Transportation	4.609		
Rural Water And Waste Disposal Grants	5.106		
Social Services Block Grant	18.416		
State Block Grant (ECIA Chapter 2)	3.171		
State & Community Highway Safety	1.113		
Urban Development Action Grants	6.204		
Urban Mass Transit	5.358		
Urbanized Area Transportation	2.197		
Vocational & Adult Education	6.988		
Waste Water Treatment Grants	51.947		
Water And Sewer Facility Loans	12.607		
WIN	3.936		
Women, Infants, And Children (WIC)	6.047		
TOTAL	341.416	91	432

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Wisconsin
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	3.648		
Appalachian Highways	0.000		
Black Lung Clinics	0.000		
Bridges	25.293		
CETA	45.060		
Child Abuse	0.000		
Child Nutrition	40.565		
Child Welfare	1.521		
Community Development Block Grant	48.410		
Community Facility Loans	3.815		
Community Services Block Grant	3.554		
Construction Safety	7.768		
Emergency Assistance	0.046		
Family Planning	1.640		
Foster Care	4.212		
General Revenue Sharing (Local Grants)	79.174		
Grants-In-Aid For Airports	6.070		
Highway Related Safety Grants	0.467		
Interstate Transfers - Highways	0.000		
Legal Services	2.978		
Low Income Home Energy	32.122		
Maternal & Child Health Block Grant	4.726		
Migrant Health Clinics	0.215		
OSHA State Grants (Operational Grants)	0.000		
Other Highways	4.555		
Prevention Block Grant	1.994		
Primary Care Block Grant	1.877		
Primary Care Research And Development	0.130		
Primary Highway System	24.309		
Rehabilitation Services	15.033		
Runaway Youths	0.206		
Rural & Small Urban Transportation	8.576		
Rural Water And Waste Disposal Grants	4.501		
Social Services Block Grant	47.574		
State Block Grant (ECIA Chapter 2)	13.403		
State & Community Highway Safety	3.221		
Urban Development Action Grants	10.478		
Urban Mass Transit	23.900		
Urbanized Area Transportation	11.732		
Vocational & Adult Education	13.473		
Waste Water Treatment Grants	51.683		
Water And Sewer Facility Loans	9.557		
WIN	9.451		
Women, Infants, And Children (WIC)	9.448		
TOTAL	576.386	-337	239

FEBRUARY 26, 1982

DERIVATION OF TRUST FUND ALLOWANCE
FOR Wyoming
(DOLLARS IN MILLIONS)

TURNBACK PROGRAMS	PROJECTED PORTION OF TURNBACK TOTAL	ADJUSTMENT FOR SWAP GAIN/LOSS	TRUST FUND ALLOCATION
Adoption Assistance	NA		
Alcohol, Drug, Mental Health Block Grant	0.709		
Appalachian Highways	0.000		
Black Lung Clinics	0.031		
Bridges	0.769		
CETA	3.027		
Child Abuse	0.034		
Child Nutrition	3.461		
Child Welfare	0.199		
Community Development Block Grant	2.556		
Community Facility Loans	0.699		
Community Services Block Grant	0.197		
Construction Safety	1.474		
Emergency Assistance	0.082		
Family Planning	0.339		
Foster Care	0.069		
General Revenue Sharing (Local Grants)	7.206		
Grants-In-Aid For Airports	3.480		
Highway Related Safety Grants	0.104		
Interstate Transfers - Highways	0.000		
Legal Services	0.453		
Low Income Home Energy	2.324		
Maternal & Child Health Block Grant	0.647		
Migrant Health Clinics	0.080		
OSHA State Grants (Operational Grants)	0.215		
Other Highways	2.561		
Prevention Block Grant	0.485		
Primary Care Block Grant	0.000		
Primary Care Research And Development	0.000		
Primary Highway System	8.546		
Rehabilitation Services	2.418		
Runaway Youths	0.026		
Rural & Small Urban Transportation	4.460		
Rural Water And Waste Disposal Grants	1.036		
Social Services Block Grant	4.059		
State Block Grant (ECIA Chapter 2)	1.529		
State & Community Highway Safety	0.665		
Urban Development Action Grants	0.000		
Urban Mass Transit	0.011		
Urbanized Area Transportation	2.810		
Vocational & Adult Education	1.350		
Waste Water Treatment Grants	14.434		
Water And Sewer Facility Loans	1.738		
WIN	0.464		
Women, Infants, And Children (WIC)	0.429		
TOTAL	75.175	-2	73

Chairman ROTH. The hearing will now be adjourned.

[Whereupon, at 1:05 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

○

PRESIDENT'S FEDERALISM INITIATIVE

THURSDAY, MARCH 11, 1982

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The committee met, at 9:02 a.m., in room 3302, Dirksen Senate Office Building, Hon. Dave Durenberger, presiding.

Present: Senators Durenberger, Sasser, Pryor, and Levin.

OPENING STATEMENT OF SENATOR DURENBERGER

Senator DURENBERGER. The hearing will come to order.

Today, the Governmental Affairs Committee, looking like a subcommittee now that we don't have David Stockman as a witness, is holding the second in a series of hearings on the President's New Federalism Initiative. We do not have any specific legislative proposal before us. In fact, the details of the President's plan are still to be worked out in consultation with Members of Congress and elected officials of State and local governments.

Nevertheless, these hearings serve a very important purpose. Those of us who have been calling for a new Federal partnership are beginning to realize that our task is as much educational as it is policymaking. Federalism is not one of those concepts that is well understood by the American people.

I have sensed in the last few weeks that many, in fact, have the impression that federalism is just another name for Reaganomics. They feel that the whole program is just another attack on the commitment to a better society which this Nation has made over the past 20 years.

I often hear federalism characterized as "Robin Hood"—that is, robbing from the poor to give to the rich. That characterization fails to understand the problem with a Federal Robin Hood. The Federal Robin Hood has been living in the forest too long robbing from the rich in order to take care of the poor. Outside the shadow of his trees, the so-called rich are senior citizens, savers who are penalized for saving, small businessmen and women who cannot afford to pay high payroll taxes, family farmers who are forced to sell their land to pay estate taxes and working men and women who are financing a social security system from which they don't expect to benefit.

The question today is not whether Americans have a commitment to be compassionate. New Federalism is not a challenge to our fundamental values as a nation or to our compassion. The question is, rather, how we maximize the value of the resources we have. Twenty years ago, we perceived that the resources were not in the city halls, the county commissions or the State capitols. The resources were in Washington. So we all went to Washington to draw from the Federal well. Today the Federal well is filled with red ink.

Our responsibility is to find a new and better way to fulfill our commitment within the limit of our resources. That's the simple challenge of New Federalism.

We are fortunate to have many Senators on this committee who have a deep and abiding interest in the subject of federalism. Led by our Chairman, Senator Roth, I know that we can use the opportunity of the President's initiative to enlarge our capacity as a nation simply by making government work better. I look forward to these hearings as an opportunity to share the counsel of our witnesses and the long experience of the members of this committee in designing a New Federalism which will serve the Nation well by fulfilling our commitments as a just society for the next 20 years.

At this point in the record Senator Roth's statement will be included.

[The statement of Senator Roth follows:]

OPENING STATEMENT OF SENATOR WILLIAM V. ROTH, JR.

The Governmental Affairs Committee today continues hearings on the governmental reform initiatives broadly labeled the New Federalism. The appearance of representatives of local government before the committee today is the second in a series of hearings on this subject which began with the appearance of Budget Director David Stockman before the committee early last month. The roles and responsibilities of local governments in our Federal system have grown rapidly in this century. Throughout our Nation today cities, counties and towns are truly general purpose governments providing a broad array of public services. I am particularly pleased, therefore, that we have before us today these representatives of local government to contribute to the committee's New Federalism hearings.

In the coming weeks representatives from State governments, from the research groups who have worked on the various federalism proposals and from other interest groups will have their opportunity to appear before the committee as well.

At the outset today I want to say that I think it highly appropriate that the Governmental Affairs Committee has taken the lead in the Senate in examining these important reform initiatives. The committee has a long and distinguished record in the area of intergovernmental relations. this is the committee that developed the Intergovernmental Cooperation Act of 1968, which is the legislative touchstone for our current system of intergovernmental management. Additionally, the so-called middle range reforms enacted by Congress in the last decade and a half originated in this committee. I include here the Uniform Relocation Act, the Joint Funding Simplification Act, the Federal Grant and Cooperative Agreement Act, the Paperwork Reduction Act, and just last December the Fiscal Note Act.

In the last year Senator Durenberger's Subcommittee on Intergovernmental Relations held 24 days of hearings on issues related to these important federalism concerns. Last summer the committee approved the Federal Assistance Improvement Act of 1981, and in December the full Senate approved S. 10, legislation introduced by Tom Eagleton and myself to create a Commission on More Effective Government. An important aspect of the Commission's mandate will be in the intergovernmental area. In light of this record then, it is clear that we on the Governmental Affairs Committee are well placed to further develop the New Federalism proposals.

The current interest in major federalism reform of course was crystalized by the state of the Union speech delivered by the President in January. In that speech the President proposed a dramatic reassignment of responsibility throughout the intergovernmental system. In the so-called swap aspect of the plan the Federal Government would assume responsibility for the medicaid program while State governments would take on the aid to families with dependent children (AFDC) and the food stamp programs.

Additionally, Federal programs in approximately 43 different areas would be turned back to the States over a 4-year transition period. A Federal trust fund supported by excise taxes and the windfall profits tax on oil would be established to pay for these programs initially and to compensate for any inequities created in the program swap. The trust fund would be phased out over a 4-year period at the same rate that the authority for the excise taxes would be turned over to the States. The States then could levy these taxes to fund the various programs. The President's proposal would first go into effect in fiscal year 1984.

As I have said in the past, I strongly support the President's objective in proposing his plan: To clearly realign the responsibilities between the Federal and the State governments in our Nation, in order to put an end to the confusing overlap between programs and authorities in our Federal system.

This proposal is a creative and bold approach to the unhealthy trend that has resulted in the concentration of power and authority in Washington. This centralization has occurred at the expense of the State and local officials who are closest to the people and their needs.

While broad consensus does exist on the concept of program swaps and turnbacks in order to create a revitalized Federal system, major questions remain on the specifics of how this would be carried out. First and foremost we must be certain that this is an equitable proposal. No one section of the country, or one locality or one segment of our society can be affected disproportionately by these changes.

We also must look more closely at how the New Federalism will be funded. Whether or not there will be sufficient money in the trust fund to pay for the turnback programs, and how non-energy producing States will replace the windfall profits tax funds once that fund is phased out are two issues that are not yet resolved.

I have some questions as well about the various alternatives to the President's plan that have been proposed. The Governors, for example, have stated very clearly that they would like to see the medicaid program shift completely to the Federal level in return for a range of program responsibilities that would total some $31 billion. Yet we do not know with any degree of specificity what programs would constitute this $31 billion package. It is imperative that the representatives of each level of government state clearly which services and programs they are best suited to administer. I hope that we can begin to clarify this issue with the representatives of local government today.

As the debate over New Federalism begins, some have indicated that they would prefer to delay any decisions on the suggested changes in some programs including AFDC and the food stamps. If these programs are to be seriously considered in the New Federalism changes I do not think that we can afford to delay on them. This current debate represents a marvelous opportunity to bring about constructive change in Government. It is an opportunity that some of us have waited a long time to see emerge. I am afraid that if we do not grasp it now we will wait a long, long time before we get another chance.

A little bit of history here will help me to make my point. I remember back in 1957 when President Eisenhower appointed a joint Federal-State action committee whose mission it was to select Federal programs and Federal tax sources to fund the programs that would be candidates for return to the States. This was an early version of the New Federalism that is before us today.

Well, everyone thought this was a grand idea and the 10 Governors and 7 executive branch officials who were appointed to choose the programs and the tax sources set to work with some vigor. But the more the panel discussed the issue, the more problems were identified. For example, one Governor argued against the return of the school lunch program to the States because it would cause problems with the private schools. Another opposed the turnback of elderly programs because "this was not the time to rock the welfare boat."

Ultimately only two programs were recommended for the turnback to the States—vocational education and municipal waste water treatment. To pay for these the panel recommended a Federal tax credit for a State tax imposed on local telephone calls, not much of a bold, New Federalism.

The committee's recommendation never received a serious consideration in the Congress and no realignment of responsibility took place as a result of the effort. The parochial concerns over which programs to turn over to the States, which Federal funds and in what amount to use to fund the programs and the arguments over winners and losers were permitted to diffuse support for the entire effort. And yes, the lack of commitment in the Congress to real reform in our intergovernmental system contributed to this loss of a real opportunity to being about positive change in the way we are governed.

My point is that we cannot afford to delay this time. If we are serious about a true redistribution of responsibility in the system, as I think that we all are, we should not leave any potential programs out of the discussion at this point, including AFDC and food stamps. And if we are to realize the effective Government that our form of federalism promises, we must seize the opportunity presented by the President's proposal and tailor it to the form that we can agree on after our negotiations. Then we must move to expeditiously implement it.

Today's hearing is an important step in developing an agreement on the plan. I look forward to the presentations of the local government officials as we continue to work together on fashioning the New Federalism.

Senator DURENBURGER. Helen Boosalis, our first witness, is the mayor of Lincoln, Nebr., and currently is serving as the president of the U.S. Conference of Mayors. I have the pleasure of serving with Mayor Boosalis on the President's Private Sector Initiatives Task Force. Mayor Boosalis, we have your written statement which was delivered to the committee yesterday. In your capacity as president of the conference, we welcome you to this hearing on federalism. We are ready for your opening statement.

TESTIMONY OF HELEN BOOSALIS, MAYOR, LINCOLN, NEBR.

Ms. BOOSALIS. Thank you, Mr. Chairman. I am please to be here. I must tell you, we did miss you last time. We need your support and help on the PSI Committee as well as here, Senator.

As you know, the administration has recommended a major restructuring of the Federal system unparalleled in recent times. Not since the Great Depression, when the Federal Government assumed responsibility for a wide range of employment, business and income support programs, has there been a proposal for such vast changes in the responsibilities of Federal, State, and local governments.

The mayors of this country generally agree that our current system of Federal, State, and local relationships can be improved and that reforms are in order. We applaud measures that will reduce overlapping administrative requirements, paperwork, redtape, and the general pattern of Federal intrusiveness on State and local decisionmaking.

The U.S. Conference of Mayors has long supported the consolidation of various Federal activities into larger, more easily administered programs. We are not afraid of change. Over the years, mayors have been leaders in advocating and supporting major changes in Federal-State-local relationships. For example, the mayors helped to enact many of the great society programs; model cities; general revenue sharing; community development block grants; urban development action grants; Federal assistance for public transit, urban highways and airports; employment programs' civil rights protection; housing activities; sewer and environmental protection programs; health care and income support.

Yet, most of these programs, although they seemed significant changes at the time, were enacted one at a time over five decades—certainly nothing to compare with the pace of change recommended by the President.

We believe changes as major and significant as those proposed by President Reagan must be made cautiously, after careful and thoughtful examination of the ramifications of so doing.

As you know, the administration has recommended two major initiatives: Federal assumption of full medicaid responsibility in exchange for State takeover of welfare and food stamps; and the consolidation of 44 Federal programs into a super grant to States.

I have a few specific concerns with the administration's proposals. But first, if I might, I would like to comment briefly on the block grants that were enacted last year for, I believe, the mayors' concern, and experience with these initiatives is relevant to the President's proposed New Federalism.

Last year, the Congress enacted nine block grants as part of the budget reconciliation bill. These block grants consolidated dozens of programs at the State level giving Governors and State legislators broad authority to allocate block grant funds as they saw fit.

Local officials voiced strong opposition to the block grants that were proposed and enacted for many reasons. First of all, they were concerned with the timing and the funding of these block grants. In some cases, the States themselves were reluctant to take on the responsibilities for the new programs, feeling unprepared for the administrative burdens and uncertain about their future responsibilities for the continued funding of the block grants.

Funding levels were reduced by 25 to 50 percent in fiscal year 1982. Consequently, many mayors and State officials have viewed the block grants enacted last year as simply a device to package and camouflage deep cuts in domestic programs.

Local officials objected, too, to the fact that the block grants proposed and enacted last year contained very few targeting provisions. Many of the categorical programs which were consolidated into these block grants had previously been targeted to attack specific local problems.

Please remember, that the existing direct Federal city relationship has developed, in part, due to the unwillingness of many State governments to address and meet urban needs and problems. Given this historical relationship, mayors and local officials were, understandably, skeptical.

As a way of mitigating this fear, mayors asked that local officials be provided assurances that they would be involved in the design of each grant within each State. They asked for some guarantee that they would be involved in the allocation of the block grant funds. The block grants that were enacted contained very few of these assurances, and experience in working with the States has not been as positive as most mayors would like.

In a survey of 100 cities conducted last fall by the U.S. Conference of Mayors, city officials were asked about their experience in the implementation of the block grants. Altogether, 55 percent of the cities indicated that their States had not even consulted with them as yet or offered an opportunity to them to participate in decisionmaking. Thirty-eight percent said they had not been able to get information from their States on implementation of the program. Many of the cities surveyed indicated that consultation with State officials had occurred only after the decisions concerning the block grants had been made and the block grant programs had been designed. Others reported that communication with their States was started only after they had initiated it, which was the case in my own State of Nebraska. Some said they were unable to obtain information even after contacting the States themselves.

There is still a lot of confusion at the State level concerning the programs that are to be administered through block grants. This confusion, coupled with a history of poor working relations between some cities and States and the rural biases of some State legislatures, means that many cities 'worst fears about the block grants may be realized.

And now the administration has proposed in the fiscal year 1983 budget the creation of six additional block grants to State and the consolidation of additional programs into the existing block grants. These proposals and the block grants enacted last year involve some of the same programs which are to be consolidated into the super grant the following year, a shuffling and reshuffling which is apt to cause substantial confusion at the State and local level.

Thus, I would urge strongly that the Congress delay action on the new block grant proposals until we better understand how the current block grants are working and until the fate of the federalism initiatives is certain.

I would also like to note that many of the concerns mayors expressed with the fiscal year 1982 block grants, concerns of timing, funding, targeting and the lack of a clear role for local government, are concerns we share with the administration's New Federalism proposal.

I have six preliminary points I would like to make with respect to the President's proposals. Mayors and other local officials have communicated these and other concerns to the White House and will continue to raise them over the next month. Governors and State legislators share some of those concerns.

First, it seems to me there should be a much greater role for local officials in the federalism trust fund super grant program. Funds should be given not only to States, but also to local governments directly. The passthrough requirements of the administration are simply not sufficient to insure that urban needs will be met.

The 44 programs which are to be consolidated are primarily local programs. Cities stand to lose significantly under any proposal to turn over these program funds to the States, even with the passthrough provisions proposed by the Administration. This is because there is no guarantee that the States will allocate the funds for the same purposes or to the same recipients as under the separate categorical programs.

It is unfortunately the case that usually States do not target funds on the basis of need, but rather tend to rely strictly on population factors or, as happens in Nebraska, property valuations that usually favor the rural areas. Consequently, large central cities may suffer enormous losses in aid. The conference of mayors believes that it is very important that there be direct funding, when appropriate, and a direct and active role for local officials in whatever federalism proposals are adopted.

Second, it is important that the Congress and state and local officials look closely at the 44 programs to be consolidated. Some of these programs are inappropriate to combine in a super program that provides funds for everyone. For example, the UDAG, transit programs, and airport development assistance should clearly not be distributed to all local governments without regard to need. These programs have historically been discretionary, not formula, grant programs.

Moreover, some of the 44 programs have worked well in the past with very little Federal bureaucratic overhead, including generaly revenue sharing and the community development block grant program. It does not seem necessary or reasonable to hand over to the States those programs with a proven track record and great popularity.

Third, whatever formulas are devised for distributing funds to State and local governments, they should address the fiscal disparities among the 50 States and among local governments. Some States because of high unemployment and welfare burdens, low-income levels, depressed tax bases and other fiscal pressures, will never be able to meet the needs of all their citizens, despite much higher State and local tax rates. These differences are even sharper at the local level and need to be addressed.

Four, the Conference of Mayors favors the use of the Federal income tax as the financing vehicle for any federalism initiative. The administration plan relies heavily on the windfall profits tax to finance the proposed super fund. Since most States do not have oil or energy resources, the windfall profits tax does not constitute a true revenue turnback.

The Federal income tax, on the other hand, is a relatively progressive and equitable source of financing, one which promises to grow proportionately with the responsibilities turned back to the state and local governments.

Additionally, the use of the Federal income tax allows this country to remain committed to achieving national goals. While it is certainly true that some programs can and should be financed and administered at State and local levels, we must not forget that it was difficult for the first 13 States to function under the Articles of Confederation, even in such matters as interstate commerce.

And while that was true back when the makers of the Constitution sought to seek a strong central government, it is more so today when one considers the unforgiving reality that we live in an increasingly interconnected world. Ignoring or rejecting that reality, abandoning our commitment to cherished national goals, failing to recognize that some problems exist beyond state or local boundaries and require a national commitment for their resolution can clearly not be a part of a revitalized Federal system of government.

Fifth, the tradeoff of medicaid for welfare, [AFDC], and food stamps is likely to lead to wide differentials in welfare benefits across the 50 States. The Conference of Mayors, along with other State and local organizations, has had a longstanding position in favor of Federal assumption of income support programs. Certainly, at a minimum, steps should be taken to narrow current benefit differentials, not widen them, as this proposal may do.

Moreover, it seems to me that if the programs are handed over to the States, then the Congress should establish minimum benefit levels, eligibility standards, and other necessary rules. Otherwise, some States will very likely fail to provide adequqte benefits for needy citizens. Poverty, crime, and mortality rates will escalate and hunger will once again stalk our Nation and our cities.

Finally, I would like to comment on the proposed fiscal year 1983 budget cuts. These reductions, if adopted, threaten to seriously undermine the potential support for and the workability of the federalism initiatives.

According to the administration, there are over $6 billion in proposed cuts in medicaid food stamps, and AFDC. These reductions are particularly significant in that they lower the ceiling on the funds we can expect to receive over the next decade if the federalism proposals are adopted. And, of course, many of these same programs, I will remind you, were reduced sharply in fiscal year 1982 as well.

Senator Durenberger, I would like to commend you for your efforts to formulate an alternative to the administration's initiatives. Your plan addresses many of the concerns I have raised here. Certainly, your proposals to finance the program with a portion of the income tax, to address fiscal inequities among States, and to establish minimum welfare benefit requirements are proposals which move the federalism dialog in the right direction.

In summary, Mr. Chairman, we urge this committee to look closely and carefully at the President's federalism initiatives, to exempt from the list of programs those that are working effectively and efficiently, and which meet distinct local needs, to insure direct funding for local governments and to make other changes which will enhance the overall equity of the package.

We also hope that the Congress will not hastily adopt these proposals which involve major and unprecedented changes as part of the budget reconciliation process, as was done with last year's block grants. The proposals deserve full and deliberative consideration by the Congress.

Thank you for this opportunity to testify on this very important initiative. I commend you and the committee for holding these hearings. They are timely, and we look forward to working with you and the Congress to design a sound and effective restructuring of our federal system.

Senator DURENBERGER. Thank you, Mayor Boosalis.

Let us start where you left off—the impact of the fiscal 1983 budget. Someone asked me yesterday, "Why aren't you holding hearings this year like you did last year on the impact of the budget proposals on the Federal system?" I answered, "Because there is no point in doing it." We will either start moving ahead on some form of redefinition of responsibilities under the aegis of New Federalism, or we will not adopt many of the budget recommendations which relate to services presently financed by Federal, State, and local funds and delivered at the State or local level. I am also on the Finance Committee where we have 50 to 60 percent of these programs. The budget just will not pass. It isn't even a partisan issue at this point. We will either do things differently, or we will continue at approximately the same level. I don't think anyone is really comfortable with that because none of it improves the delivery of income security, health, housing or any other services. We all know we can do it better.

I would like to make one other point before I ask you a couple questions about the New Federalism. It is appropriate that we talk about the New Federalism in the local government environment. This whole business of New Federalism gets looked at by every President. They each have a new version. We can look at it in a historical, now socioeconomic context—that is, this is the time for real change. The significant part of it is that it is not just what the Federal Government does but what State governments do. How the State governments change. How the relationships between the State governments and the entities which have been built into their constitutions—the 39,000 units of local governments—respond to the need to improve the role the Government plays in the lives of people. It seems to me there is a real challenge here to the cities, the counties, and the States—everybody—to start talking about their end of this bargain, not just the termination of Federal dollars, but changing some of the basic intergovernmental relationships. We should be improving those relationships and strengthening the role of local governments in every State.

This brings me to the turnback list. I want to say to everybody here, and to my colleagues, that the conference of mayors really has not had an opportunity yet to take an official position on all aspects of the New Federalism initiative. So it will be difficult for Mayor Boosalis to give firm positions on behalf of USCM.

I read in your testimony that the turnback list, the 44 programs ought to be reworked. My question is, are you reworking this list and have you any idea what some of the major differences will be between your list and the administration's list?

Ms. **Boosalis**. We are reworking them.

Later this afternoon I am meeting with the State and local coalition to develop a position relative to the New Federalism proposal. So I would hate for anything I say this morning to be etched in stone, except that there are programs that have been successful, that have the benefit of a direct city relationship and think they should continue. UDAG programs, community development block grants, transit programs, public transit programs, these kinds of programs should continue as they have been. We feel very strongly about that.

Senator **Durenberger**. You mean they ought to continue as Federal programs and not go on a potential turnback list?

Ms. **Boosalis**. They should come directly to cities. They should not have to be passed through State government. We feel these are the kinds of programs that should continue to have the support of the Federal Government and the funding of the Federal Government.

Senator **Durenberger**. That gets you to the issue of trying to design a passthrough formula. We have two things there. One is the direct Federal-local grants, like general revenue sharing and CBDG, where the President is recommending 100 percent passthrough for some period of time. Are you comfortable with the current formulas for these two programs? Should we alter the formulas in any way?

Ms. **Boosalis**. I don't think I am prepared to talk about altering formulas this morning but certainly the formulas have been satisfactory in the past.

That does not mean to say we do not need to look at them continually to see that they are meeting the needs of State and local communities.

Senator **Durenberger**. Let us look at the other category you mentioned where everyone is sort of on their own and they compete with each other at the local level for UDAG, wastewater treatment, airports, and so forth. Is it appropriate for us—meaning Carl Levin, Dave Durenberger and colleagues, and the President—to structure a passthrough formula? Or, is that something we might be able to look to the Conference of Mayors and the State local coalition to give us some advice on?

Ms. BOOSALIS. We will be very happy to work with you and to pass on any advice that you are willing to listen to.

Senator DURENBERGER. I have one other request of you before I turn to my colleague. You testified that you took a survey on the impact of the 1982 block grants in November. As I recall, November was much like December. We didn't know if we were on foot or horseback when it came to the fiscal 1982 appropriations. I have the distinct impression, because I was involved in many of the blocks, that we did a lot of blocking but gave little relief from mandates, crosscutting requirements and a whole bunch of other things. At best, the local and State governments were half the way into their fiscal years without any clear direction from us. So I raise a question about the value of your survey in real terms.

The Subcommittee on Intergovernmental Relations has been in trying to come up with some management language to streamline block grants. If the conference would consider going out now and running that survey again—now that we pretty well have in hand both the dollars and the requirements which go with them—and if this could be done within the next month or so, it would be very helpful to us in addressing our block grant management proposal. We would like to get this proposal to the authorizing committees.

Ms. BOOSALIS. We are planning to do that, Senator, in the very near future and will be pleased to share that information with you.

Senator DURENBERGER. Let me turn to my colleague, the former president of the Detroit City Council and distinguished junior Senator from Michigan, Carl Levin.

Senator LEVIN. Mr. Chairman, I have an opening statement which is about 5 minutes.

I am wondering if this is the appropriate time. I would like to read it. It may not be the appropriate time now. Would you prefer after this witness leaves?

Senator DURENBERGER. I believe after the witness, if Helen has no objection, I would like to hear what she has to say.

Ms. BOOSALIS. Pardon?

Senator LEVIN. What is your schedule this morning? Do you want to listen to a Senator talking or do you want to get out of here?

Senator DURENBERGER. This Senator started talking before she got here.

Senator LEVIN. The chairman has no choice; I am giving you a choice.

Ms. BOOSALIS. What is the timeframe we are talking about?

Senator LEVIN. Five minutes.

Ms. BOOSALIS. Absolutely. I will be happy to hear you.

OPENING STATEMENT OF SENATOR LEVIN

Senator **Levin**. Mr. Chairman, first let me commend you for holding these hearings and also for the leadership which you have taken in this area. Your alternatives are already attracting much deserved attention.

I want to just make sure that the record shows that your colleagues are very much aware and very much appreciative of what you are doing in this area to come up with some alternatives to proposals which I think will be disastrous to State and local governments. The approach you are taking, of holding hearings from State and local governments is in contrast to what happened last year when the administration proposed the first round of New Federalism in the form of large block grants when it did not do the kind of consultation which should have been done. That initial block grant phase called for the consolidation of grant programs and a 25-percent cut in funding. But that phase was conceived and pushed hastily through the budget reconciliation process without the promised consultation with the Federal Government's State and local partners, or the Congress.

Ironically, then, the first phase of the President's program, the block grants last year, became just one more example of a Federal we-know-best attitude which has plagued Federal and local relations for decades. That phase became just another subterfuge for budget cuts in programs needed at the State and local level.

Now comes phase 2 of the administration's plan, as heralded in the President's State of the Union address. If phase 1 turned the nobel concept of federalism on its head, then phase 2 threatens to decapitate it.

Packaged as a financially equal swap, the President's plan has been advertised as one with no winners or losers. But as we have found out—now that we have had a chance to press questions on the administration—indeed, there certainly will be winners and losers under this plan.

I have always supported federalism. I want more flexiblity for State and local government. As a local elected official for 8 years, I fought for local flexibility in dealing with Federal programs and regulations. Indeed, much of my time here in the Senate is taken by efforts to make the bureaucracy more flexible and accountable to officials and citizens at the local level.

I have long advocated the need for a procedural local bill of rights to protect States, towns, cities, counties, and other local governments from unfair and inflexible Federal grant regulations which ignore local differences. Decentralizing the Federal Government's control over some of these programs would be good for the programs, for the beneficiaries and for local governments who run them.

It won't do any good to have responsibility for the programs if local governments do not have the money to carry them out in the way the Federal Government carved them out. That is exactly what would happen under the President's New Federalism. Decentralization would again disguise the administration's attempts to cut funding for these programs, without giving local governments the necessary funding to continue them at the levels previously operated.

We can and should return more control of programs back to the States and localities, but it should be done fairly and equitably.

In 1991, when the trust fund would be ended, local governments would be left with the responsibility to fund the programs or drop them as they choose. Local governments could move to fill the void of Federal tax dollars by raising their own taxes or they could let the programs disappear or choose to run them at significantly reduced levels.

But do we realistically expect local governments to abandon or reduce needed programs, child nutrition, crime prevention, economic development, or health care? Do we expect that the need for these services will just disappear? I hope not.

So we are to assume that State and local governments will have to raise taxes to cover the loss in Federal support. Since Federal taxes were lowered, State and local taxes could fill the void, so the transferred programs will be preserved, that is the basis on which the administration tried to sell its plan as a good deal, as an equitable deal. That is how they touted it, as a financially equal swap.

When David Stockman appeared before this committee early last month, we asked him repeatedly for assurances that there would be no winners or losers as a result of this plan, and finally, for the first time, he fessed up. Mr. Stockman admitted that indeed there could be winners and losers if the President's plan were adopted.

There will be winners and losers if that plan is adopted. The winners will be those six or seven States with the energy resources and the fiscal capacity to replace that 60 percent of the trust fund which is paid for by the windfall profit tax. The losers will be the States and localities who are already hard pressed to even survive under their declining economies.

The losers will be States who have no oil or gas production to tax after the trust fund runs out. The losers will be States who currently have high service levels under medicaid, States who in turn would have to find the money to maintain that benefit level once a lower Federal medicaid standard is established.

Ultimately, the losers will be millions of people who need and depend on these programs, human resourcefulness and creativity will not be enough to fill the gaps the administration proposes to create.

I believe in federalism very deeply, but because the administration's proposal has been paraded as an even swap and it isn't, it tends to give federalism a bad name. I hope that through these hearings we can arrive at a plan for decentralization and a real federalism which is honest and equitable, where indeed individual and local governments won't bear the brunt of assuming responsibility without the financial resources to do so.

Mr. Chairman, again, let me say much of what I said has already been said in a more general and more constructive way by our chairman. We are pleased, as you know, by having Senator Durenberger head this effort in the Senate to make a new federalism a real partnership and not a subterfuge for budget cuts and make it sensitive to the needs of local governments which are very different from the needs of State governments.

Having come from local government I am [illegible] of what you are saying. Returning power to the [illegible] mean returning powers or flexibility to the local level [illegible] a very, very difficult process and insuring one does not necessarily insure the other at all. As a matter of fact, you could return programs and money to the States and if you give the State total say over whether or not to continue the programs or not, we could be far better off if the program were maintained at the Federal level if the State would end it, use the money for some other need which the State government considered to be a higher priority.

I really have one question—really two questions for you. One is perhaps a difficult one. It is hard to talk about publicly, but I want to ask it anyway. Is there any reluctance on the part of the conference to disagree publicly with the White House on any aspect of this matter?

Ms. **Boosalis**. Certainly not.

Senator **Levin**. There is no timidity that you have noticed at all?

Ms. **Boosalis**. Not on my part, certainly.

Senator **Levin**. I know not on your part. I wouldn't expect that from you but in general you have not noted a timidity in a response to this program.

Ms. **Boosalis**. Not a timidity, certainly not. Looking at the program, we do not support all aspects of the program, as I clearly stated. We are working with the White House, we are working with the coalition, and with other groups, Mayors will continue to speak out as they must. There are those in the organization who don't completely agree with some of the positions of the Conference of Mayors, but I think in any organization we will find that kind of difference of opinion, or as if you call it, timidity, but certainly not at the leadership level, Senator.

Senator **Levin**. I think you will find a responsive chord in the Congress to the concerns which you have raised this morning and which others are going to raise this morning. They are very, very legitimate concerns. They are concerns which should have been met in the block grants last year and to a much greater degree than they were met. I am glad there is no timidity toward the White House. The White House, like the Congress, are just elected officials and we should be forthright, as you were this morning, in your commentary on any proposed program, and I hope that elected officials will not fear that by speaking out on any details that somehow or another they may curry disfavor with the most powerful office in the land and I am delighted with your testimony this morning.

Finally, and this is a question. Senator Bellmon, who was with us for many years here in the Senate, a Republican from Oklahoma, proposed an approach to block grants which I thought had a lot of merit and I supported it. His proposal was that we consolidate the categorical programs in an area and on a voluntary basis which allow States to participate with no cut in revenue. For instance, in one amendment, he took the nutrition programs, I think 10 nutrition programs involving 10 categorical programs, nutrition programs for women, pregnant women, and children, and seniors, and school kids and so forth, and he said, let's allow the States to lump together that money and to allocate it in a different way than we would under our categorical program and there was some assurance of local participation in that process, as I remember it.

But let's allow the States to do it voluntarily, and let's monitor it to see whether or not the experiment works or whether the weakest are the ones that lose because they may not be able to lobby effectively at the State legislative level.

Not only wasn't there a cut, I think there was a little bonus if the State participated in it because there might be some additional administrative expenses. To see how it would work and again to be a nice monitoring process. How does that strike you as an approach to block grants?

Ms. **Boosalis**. I am not familiar with the total proposal and I am not adverse to experimentation, however, I could see some pitfalls in it. There needs to be first and foremost strong local participation in that kind of a program. What would be gained from that kind of experimentation?

Senator **Levin**. The gain would be that we tend to allocate money by formula here. If all of our nutrition money were put together in a pot, we may say at the Federal level, 11 percent goes to seniors, 6 percent goes to pregnant women, 2 percent goes to infant children, 1½ percent to Indians, and God knows what. States have different needs.

Ms. **Boosalis**. Of course, part of the reason for the Federal Government getting involved in the first place was lack of State support for cities and that is my concern, Federal-city programs. The other part is the Federal Government has the responsibility to meet the needs of all the citizens and I think targeting is a very important part of that and to leave it up entirely to States, whether or not they should serve targeted populations, might have some pitfalls although it is a proposal that warrants looking at.

Senator **Levin**. Do you think the States might have a better feel for who is the neediest among their nutritionally needy than we might?

Ms. **Boosalis**. I think local government would have a better feel for that than the States, judging from past experience.

Senator **Levin**. I would agree with that, I say States and local governments would have the greatest feel as to who would be the neediest among their nutrition needs.

Ms. **Boosalis**. I think they would.

Senator **Levin**. Thank you, Mr. Chairman.

Senator **Durenberger**. Thank you very much, Carl. Thank you for your comments. I have two comments on that last point. I am glad Senator Levin gave credit where credit is due because that idea did originate with Henry Bellmon. It got picked up by his successor when we Republicans came into the majority.

I can think of only two arguments against it. One, is when you go with a functional block, you put people in competition with each other. You have the pregnant women or infants in competition with the elderly or school children. If we trust the State and local governments, it shouldn't be a problem. That is one of the objections raised against it.

The second is to find a way to build in some incentives so that the States who do a good job don't get their funding cut, which usually happens. If you really do a good job on spending that Federal money, then the Federal Government says you don't need it any more. It is an interesting, and maybe in some cases, it could be a transitional vehicle that we ought to be using in this turnback.

Mayor Boosalis, I don't have any more questions for you at the present time. If you have any comments, please feel free to make them.

Ms. **Boosalis**. When you asked whether the conference participated in a study to analyze the block grants that were dispensed last fall, I think it would also be interesting to watch the efforts of State legislatures who are and have been in session to see whether or not there is any greater sensitivity and response to needs of cities since this whole initiative began than there has been previously. I am watching with interest our own State legislature on a number of issues.

One in particular, to get ready for what might be coming down the line, particularly the great cutback in public transit funding that is proposed, we went and asked the State legislature, a little ahead of the time, we might actually need the dollars, for authority to put before our own voters whether or not they wanted an additional half-cent sales tax, we already have a 1 cent sales tax, piggybacked on the State sales tax.

There appears to be some question as to whether or not our own voters should have the authority to make that decision for themselves. And those are the kinds of problems, as you know, Senator, having worked in local government, that we face in dealing with State legislatures. So I would think the pattern of this year's sessions might be of interest in formulating what we might expect from the State legislatures in the future.

Senator **Durenberger**. Thank you.

Ms. **Boosalis**. Thank you.

[Responses to written questions submitted by Senators Roth and Pryor follow:]

Responses to Written Questions Submitted by Senator Roth

Question 1. The States, under the President's Federalism Initiative, would become free of federal controls for a wide range of programs. In return, they would gradually be given full authority and access to certain federal tax resources to operate these programs. If the President's program is enacted, would you expect the States to loosen their controls over local governments and give them greater access to now State forbidden resources?

Answer. I am not optimistic that states would respond quickly or consistently to reduce state mandates on local governments nor give cities major new taxing or home rule powers. There is no indication that this is happening as a result of the block grant programs enacted last year. In my own state, I have tried unsucessfully to get the state legislature to give my city residents the opportunity to vote on an increase in the sales tax to preserve our public transportation system. So far the state legislature has been unwilling to trust the voters of our city to make this decision.

Moreover, it is important to note that the federalism proposal would not give all states access to new taxing capacity. The major source of financing for the proposed trust fund is the windfall profits tax, which few states would be able to assume. To the extent federal aid to state and local governments is substantially reduced and few taxing sources are made available to the states, I would not expect the states to give much to their local governments.

Question 2. What role would you expect the (counties/cities) to play under the President's proposed Federalism Initiative? Will the States simply pass on to the local governments responsibility for the federal programs that State governments will be asked to assume?

Answer. As currently proposed, the Administration's super grant to states envisions no role for local governments. Even with a 100 percent pass-through requirement, the state would have a great deal of discretion to change the allocation and formula of federal-local programs. As a result, some cities may lose substantial sums of money, as revenue sharing, Community Development Block Grant and other program formulas are altered.

The extent to which states will pass on to local governments the responsibility for some of these federal programs is difficult to assess. If the state decides not to fund certain activities, e.g., mass transit or economic development activities, then certainly the responsibility is de facto transferred to the local level, but without any accompanying resources to finance the activity.

Question 3. What is your reaction to the list of programs the President has proposed to turn back to the States? In particular, are you concerned that the Revenue Sharing Program is included in the President's proposal?

Answer. We believe many of the programs proposed to be turned back to the states are inappropriate candidates for state administration under a super revenue sharing type of program. For example, we believe the revenue sharing and CDBG programs are working effectively and efficiently and should not be reshuffled. Moreover, there are some discretionary programs, such as UDAG, EDA and transportation programs which we do not wish to have handed over to states for distribution to any and all local governments on a revenue sharing basis. We support the continuation of direct federal-local programs. While some consolidations may be desirable, we urge direct federal funding to local governments for those activities which have been so funded in the past.

Question 4. In your view, where does General Revenue Sharing rank in importance among all Federal aid programs? Why?

Answer. The revenue sharing program is one of the most popular federal programs with local officials. It is an efficient federal program, with little bureaucratic overhead, few requirements and easy to administer at the local level. We support its continuation as a direct federal-city program, without any state discretion to change funding patterns, formulas, recipients, administrative costs or requirements.

Question 5. The States have already begun to exercise much greater flexibility under the federal block grants enacted last year. How involved have the local governments, cities and counties been in helping to establish State priorities under the new programs? What type of involvement would local governments expect to have in helping the States adjust to the Federalism Initiative if enacted as proposed by the President?

Answer. As I stated in my testimony to the Committee, local officials have had very little to say about the state block grants currently being implemented. The majority of cities we surveyed said that they have not been involved in any allocation decisions, planning of the block grants, nor have they have been very successful in obtaining information about the way the block grants are being administered.

Question 6. In the past several years we have heard increased interest in a private sector role in the delivery of public services. From your perspective are these alternative methods worth pursuing and if so for what specific services?

Answer. Mayors have been working with the private sector in many different ways—contracting out some services to private firms, calling on the expertise of the private sector to administer more effectively city programs, enlisting the support of the private sector in city development efforts, providing tax and other incentives to the private sector to generate downtown redevelopment, housing investment and so on, promoting foreign investment and tourism and assisting local firms in exporting products and services abroad.

Most recently, the Conference of Mayors and ARCO cosponsored a meeting in Philadelphia to bring together private industry executives and mayors to talk about ways the private sector can help cities provide services to their citizens.

Question 7. What aspect or aspects of the President's proposal causes you the greatest concern?

Answer. We are concerned about the Administration's apparent lack of sensitivity to the cities, the lack of any role in the Administration's block grant and federalism proposals for local governments and the enormous budget cuts in city programs enacted and proposed by the Administration.

Question 8. What is the view of your organization generally with respect to State governments? Are they, in your opinion, better able than the Federal government to handle the programs the President proposes to hand over to them? If they are not, in your view, please explain why?

Answer. There is a great deal of variation in the administrative capabilities of the states, their sensitivity to the needs of cities and distressed communities and their funding practices. In a recent report of the ACIR entitled "The States and their Distressed Communities", relatively few states were found to be targeting on the basis of need their assistance for housing, community development, economic development or general fiscal assistance.

Question 9. State and local government employment levels have decreased substantially over the last year. What effect will these employment cutbacks have on your ability to effectively cooperate in implementing the President's federalism proposals?

Answer. At the local level, the major cuts in employment levels of the last few years have resulted in major reductions in services, postponements of needed infrastructure maintenance and investments, and increased fiscal burdens on cities as the result of the increased unemployment. The same cutbacks have occurred at the state level, although to a lesser degree. We are indeed concerned that these reductions in employment will undermine the ability of states and cities to implement any major federalism proposal.

Question 10. How would the President's proposals affect local revenue bases? What is the current fiscal condition of city/county governments and would the President's proposals "free up" any additional revenues which could be used at the local level to implement added responsibilities from the State and federal levels?

Answer. The President's proposal says nothing about transferring any new revenues or revenue sources to local governments. Excise taxes on gasoline, cigarettes and liquor have traditionally been state and federal taxes, not local. Moreover, the windfall profits tax constitutes neither a revenue return to local governments nor to most states. The President's tax proposals have had a negative effect on state and local governments, which have lost significant corporate tax revenues as a result of the Economic Recovery Tax Act. This year's tax proposals to restrict the use of industrial revenue bonds and to impose a minimum tax on bank debt used to buy or carry municipal bonds are proposals which will result in further losses to cities.

Question 11. The "acid test" of how the Federalism Initiative will work lies in the relationship of the States to their localities. What is your assessment of that relationship today: good or bad?

Answer. As I stated above, the relationship between states and local governments varies enormously from state to state. Certainly, there have been some improvements in this relationship in recent years as more governors have become sensitive to cities' needs and as the states' executive branches have become better administrators. However, there is still much progress to be made. Many states ignore the advice of local officials, exclude these officials from decision making bodies and advisory committees, and give short shrift to the unique needs of central cities and distressed communities.

Question 12. The swap the President has proposed between the federal government and the States is just the first step in reordering our federal system. Wouldn't it be logical for State and local governments to carry the process further and resort their respective responsibilities? Will this happen if the federalism proposal passes Congress and what do you believe are the proper roles, generally speaking, of the States, counties and cities?

Answer. Certainly, it is desirable for federal, state and local officials to engage in an ongoing dialogue on the proper sorting out of responsiblities among the three levels of government. Given that there are no explicit incentives in the President's proposed federalism initiative for the states to initiate this dialogue nor any recognition of what local governments do, I doubt the federalism proposal will improve the situation substantially, nor would I label it simply a "first step" in reordering our federal system.

Certainly, I would agree that it is desirable for the states and local governments to re-sort their respective responsibilities. It is time for state governments to give local governments more power and authority over their own fiscal affairs, to reduce state mandates and to begin to work out with local officials a better distribution of revenues and responsibilities. However, it is important to recognize that the answers are not always clear and simple. Many important government functions are and ought to be the responsibility of all three levels of government, e.g., some education and transportation activities. The mixed system which has developed in this country over the last decades should not be changed hastily, without deliberative and democratic consideration of needed changes.

RESPONSES TO WRITTEN QUESTIONS SUBMITTED BY SENATOR PRYOR

Question 1. What has been the experience of your member counties as States have implemented the block grants enacted by the Congress in the context of the Reconciliation Act of 1981? Have the States involved local jurisdictions adequately in determining how the block grant funds they receive should be expended? Have they reflected the desires of local jurisdictions in their actual expenditure decisions? Are your members generally satisfied that sufficient and appropriate levels of block grants funding have been "passed through" to local governments so that they can make their own decisions on priorities for expenditure?

Answer. As I stated in my testimony, the Conference of Mayors conducted recently a survey of 100 cities around the country and found that there was very little participation of local officials in block grant decisions. Moreover, most cities expressed frustration at their inability to get even basic information about the distribution of block grant funds or any other information.

Question 2. One of the ultimate results of taking President Reagan's "New Federalism" concept to its logical end is that the currently-existing linkage between the Federal Government and local governments will be largely if not completely severed. One of the fundamental principles of the President's concept of federalism is that the Federal Government should relate with and to State governments—and that State governments should then care for local governments which, quite literally, are their "creatures". In light of current fiscal circumstances in State governments, and the makeup and general thrusts of State legislatures, are your organization and its members comfortable with this fundamental alteration in the current fabric of federalism? Do you believe the problems and needs of towns, cities, and counties will be addressed adequately if a proposal similar to President Reagan's were to be approved by the Congress?

Answer. No, I do not believe cities interests will be served by turning over to the states those programs which historically have been direct federal-city programs. For that reason, we oppose the inclusion of revenue sharing, Community Development Block Grants, UDAG, public transportation and other local programs in the federalism super grant to states.

Question 3. The President's proposal contained a "guaranteed pass through"—which would mean all or a certain percentage of funds flowing to a State from the "Program Turnback Trust Fund", in lieu of existing categorical grants, must be conveyed to local governments. To date, however, I do not believe the President or his administration have been very specific in describing the precise nature of the "pass through" requirement or exactly how it will work. Let me ask four questions about the pass through:

Insofar as information has been provided about the pass through the Administration expects to incorporate in its legislative proposal, do you believe it is a necessary or unnecessary component of the "New Federalism"?

What are the characteristics and detailed ingredients of a mandatory "pass through" that you believe would be essential for it to be satisfactory to your organization and its membership?

The pass through the Administration has described to date evidently would expire when the "Program Turnback Trust Fund" expires—in 1991 according to the Administration documents I have seen. How do you react to the expiration of this guarantee of some level of funding? Were a proposal similar in construct to the President's to begin movement through the legislative process, how would you suggest that this situation be addressed?

Does the uncertainty accompanying the disappearance of a guarantee of funding for local governments (i.e., when the pass-through expires) affect your organization's opinion of the President's proposal? If so, how?

Answer. We are concerned about the words "pass through", which imply a direct state role in those programs which have been direct local programs. To the extent states have control over revenue sharing and community development block grant funds, mayors are fearful that some of the funds will be held by the state, that funding formulas will be changed and that some cities will lose substantial sums of money. As you know, the Community Development Block Grant program has been a highly targeted porgram, which is inconsistent with the funding practices in most states. Certainly, the temptation will be to spread the money around to all jurisdictions on some kind of nontargeted basis.

At a minimum, we would support a pass-through requirement which allowed no exercise of state discretion in those programs which have historically been direct federal-local programs and which ensured the same distribution of dollars to the same governments as previously. In addition, for those programs which are state administered but where a substantial percentage of the funds have been passed through or where the service is delivered at the local level, there should be a pass-through requirement based on the historical pattern. We oppose the Administration's arbitrary 15 percent requirement.

Finally, we support a permanent source of federal funding for whatever programs are consolidated into the super grant program. If the funding source were a fixed percentage of the federal income tax, on a permanent basis, as we propose, we believe the problem of funding would be solved.

Question 4. Several organizations of State and local governmental elected officials have made plain their objection to assuming greater responsibility for the aid to families with dependent children and the food stamp programs. what is your organization's position on this issue, and why did your members come to that conclusion?

Answer. The Conference of Mayors has had a long-standing policy position in favor of federal financing and administration of AFDC and Food Stamps. We believe the fiscal inequities among the states and local governments, the inability of some states to finance adequate benefits for their citizens, the control of the federal government over the economy and therefore the welfare caseload, and the migrations of people in this country all argue for federalization of welfare responsibilities and continued federal administration of food stamps.

Question 5. In the list of 43 categorical programs the administration proposes to terminate, to be replaced initially with trust fund money and later with taxes raised by the States, are there any programs you believe are included inappropriately—from which the Federal Government should not remove itself? If you believe there are programs in that list that should not be there, I would be very interested in your reasons.

Answer. I believe we have adequately answered this question in our testimony. The Conference of Mayors urges the continuation of important federal aid programs for local governments like revenue sharing and CDBG. Moreover, discretionary programs like UDAG and transit programs have never been and should not be distributed on a formula basis to all local governments within a state. We also see no reason to turn over to the states those federal programs which are working efficiently and effectively as currently designed.

Question 6. What do you believe would happen to the citizens of the units of government you represent if the Congress were to approve the President's original proposal to "swap" medicaid responsibility for AFDC and Food Stamps—where, as you know, the Federal Government takes full responsibility for the medicaid program and States are given full responsibility for the other two?

Answer. [Response included in reply to Question 7.]

Question 7. Assuming for the moment that some suitable means could be found by which to arrange for full Federal assumption of responsibility for the medicaid program, what would be the result if the federal government operates a program with either eligibility or covered services or both that are more limited than those now in effect in many States? What will happen to the families and individuals now covered by medicaid who would lose their coverage? How would they be provided with necessary care and treatment? Who would pay for that care and treatment? Is this a matter of concern to your organization and its members?

Answer. We are concerned about the administration's proposed tradeoff of Medicaid for AFDC and Food Stamps. To the extent the Administration cuts back sharply on Medicaid benefits and eligibility standards, state and local governments will be forced to assume increased financial responsibilities for the indigent sick. Moreover, AFDC and Food Stamp benefits, which are highly sensitive to recession, may grow significantly in the next few years. Some states like Michigan, Alabama, and Ohio already face skyrocketing welfare costs as a result of federal economic policies.

The Conference of Mayors is concerned that the tradeoff may result in increased poverty as states are unable or unwilling to provide adequate welfare benefits to the poor. I have great sensitivity for the fiscal plight of many states who even with the best of intentions may not be able to help their needy citizens. I know this is already the case in many of our nation's cities.

Question 8. I would be grateful if you could describe for me the general fiscal circumstances of the governments that compose your organization's membership. How have they been affected by the current recession? How have they been affected by the Federal budget cuts enacted last year? How, if at all, have the level and quality of services provided by your member governments to their citizens been affected? Do you see this situation improving, deteriorating, or staying more or less static over the next 6 to 8 months.

Answer. [Response included in reply to Question 9.]

Question 9. In general terms, what do you believe will be the effects on your member governments, and their citizens, if the President's proposed 1983 budget were to be enacted by the Congress? If your organization has reached any such conclusions, how, if at all, do you believe the administration's budget should be altered?

Answer. A recent survey conducted by the Conference of Mayors found that cities are making major adjustments as a result of the budget cuts enacted in fiscal year 1982. Fully 74 percent of the cities reported that they are laying off significant numbers of workers, 41 percent are raising taxes, 69 percent have been forced to make major cuts in services and 63 percent have deferred major capital infrastructure projects as a result of the budget cuts enacted so far. As you know, cities took more than their fair share of the cuts, with fully 66 percent of the reductions made in federal assistance to state and local governments.

If the additional cuts proposed by the President take effect, I think the consequences at the local level will be of crisis proportions. For that reason, we have been calling for a moratorium and no more reductions in fiscal year 1983.

Question 10. There was a purpose in my asking the previous question. It leads me immediately to a question directly related to the subject of this hearing, the "New Federalism" proposal. How, if at all, do you believe the final results of implementing the President's "New Federalism" proposal, or a similar proposal, would be affected if Congress were to approve the Reagan administration's 1983 budget? Is the ability of local government to implement and accomodate the "New Federalism" aided, hindered, or not affected by the budgetary changes sought by President Reagan?

Answer. We are concerned that many of the proposed cuts in fiscal year 83 spending proposed by the Administration would once again be in state and local programs. Moreover, about $12 billion of the proposed cuts occur in those programs involved in the two federalism initiatives—Medicaid, AFDC, Food Stamps, and the 44 programs to be consolidated into the supergrant. These cuts give the appearance that once again the proposed restructuring of federal programs is being used as a way of camouflaging and implementing major cuts in federal programs.

Senator DURENBERGER. I thank the conference.

Our next witness will be Hugh Nichols, chairman of the Baltimore Regional Planning Council and county executive for Howard County, Md. Mr. Nichols is here today representing the National Association of Regional Councils. His written statement was filed with the committee yesterday and will be made a part of the record.

TESTIMONY OF J. HUGH NICHOLS, CHAIRMAN, BALTIMORE REGIONAL PLANNING COUNCIL, ACCOMPANIED BY JOHN BOSLEY, LEGAL COUNSEL

Mr. NICHOLS. Mr. Chairman, Senator Durenberger, members of the committee, my name is Hugh Nichols. I am chairman of the Baltimore Regional Planning Council and county executive of Howard County, Md., and I am here today as a representative of the National Association of Regional Councils, sometimes known as NARC, N-A-R-C.

I do have a written statement for the record, and I would propose to briefly summarize some of those points in the interest of time and will be pleased to answer any questions you may have after that.

With me today is Mr. John Bosley, who is legal counsel for NARC.

By way of background, the Baltimore Regional Planning Council is a body established by State law and it is primarily funded by the State and the local jurisdictions that make up the council.

It is not unlike 600 such sub-State regional councils throughout the entire United States, 350 of whom are members of the National Association of Regional Councils which I represent today.

So I think it is easily understood, by their nature, regional councils deal with the Federal, with the State, and with the local political jurisdictions and they have evolved into one of the intergovernmental brokers in our public service system.

I want to address briefly some of President Reagan's plans for a New Federalism and speak to some of the alternative plans, including those outlined by yourself, Senator Durenberger.

At NARC's winter meeting in Washington in January, the New Federalism was one of the hottest topics. That meeting was attended by over 600 local officials and we discussed the broad outline that was presented by the President and by his staff.

Generally, it was met with enthusiasm as an effort to redress some of the imbalances we have found in the Federal system. And I think generally my local government colleagues at that meeting concurred with its basic intent to move more authority, more responsibilities, and more resources back to the State and local government level.

I think it is important for me to note that NARC gave qualified support to the President's new initiative at that meeting and that is reflected throughout the entire statement. Because there is not yet a final legislative package, it is very difficult for us to comment except in the general terms which I have already expressed this morning. But we do have that broad outline and we would like to address some of those principles.

Generally NARC supports the President's commitments to transfer the authority over and the resources for many of the Federal programs back to the State and local levels, but we firmly believe that those efforts, including the program swapping or revenue or tax turnback proposals in the President's New Federalism plan must not, should not result in the abatement of the Federal Government's responsibilities for addressing national purposes and national needs.

So in our view, it is imperative that the Federal programs that are based on the need to provide a minimum standard for the quality of life for our citizens not be terminated while that need still exists, especially in view of the disparity in wealth and political wealth among the States to address some of those issues.

So for the President's plan to be workable, we believe that the proposals to transfer responsibility and funding sources back to State and local governments must be premised on about five principles.

Very briefly, the first one, we believe that the Federal revenue or tax turnbacks must be equal to the cost of the programs and the responsibilities that are turned back to the States; second, we believe that the disparities among the States resulting from the mismatches and their wealth relative to the needs of the residents in the transferred Federal programs must be recognized and corrected; third, we think that State tax levies on any returned Federal tax source must be instituted by the State and we need assurances that will occur and that the resulting revenues will be dedicated to the purposes of the program for which they were originally intended; fourth, we believe that the transfer of program responsibility must be conditioned on the preservation of the existing rights that local government has to funding through the various pass through arrangements; five and finally, existing programs that deal with problems which Congress has determined, I say which Congress has determined, by their nature can be more effectively managed on a multijurisdictional basis must continue to be administered on that basis with the regional council as a preferred management and coordinative unit unless the Federal or State law provides otherwise.

And I want to call the committee's attention to the last principle in particular. It is of paramount importance to the National Association of Regional Councils.

By the very nature of our association, we have as our greatest interest the development of public policy which assists local governments to deal with fiscal, economic, and social problems that are multijurisdictional and generally sub-State multijurisdictional in nature and we hope that this Congress and this panel recognizes that there must continue to be a strong Federal role in encouraging, where appropriate, and even requiring States and local governments to address problems at the regional level, where, by their character, the problens can be best addressed at that level, where especially local government initiatives or State initiatives will be inadequate to do so.

We don't object to the consolidation of some of the organizations that have done that before but we want to be sure that the basic mininum level remains.

And now let me talk for about 2 minutes about some alternatives to the President's plan. The President would eliminate 43 of the Federal assistance programs and put in their place a temporary—temporary—$28 billion revenue sharing pot. And initially this is expected to mean no winners and no losers. But as the plan moves on to a second phase, the revenue turnbacks, we begin to run into problems.

According to a number of calculations, including some of yours, Senator Durenberger, many States can end up losers under the President's plan. Sixty percent, or about $17 billion, of the $28 billion revenue sharing pot is tied to the windfall profit tax and, therefore, States could be caught short as much as $17 billion because few States have oil production.

You have proposed instead a trust fund be created by dedicating 1 percent of the Federal income tax and adding in the excise taxes for this purpose and to distribute those funds on a revenue-sharing basis.

Your proposal meets one of NARC's previously stated principles. It was adopted by the NARC board of directors and it says that in the event of tax turnbacks, revenues must be dedicated to the purpose of the program that was funded by the Federal tax as long as the Congress determines, and I have underlined that two or three times in the testimony, as long as the Congress determines as a policymaking body of the United States that a national need and interest to address such problems exist. And NARC endorses that approach.

Mr. Chairman, we also find merit in a proposal recently put forward by the National Governors Association. One of the features that deserves scrutiny is a principle that decisions on programs that are returned to the States should be made in partnership with the States and local governments.

The National Government has the responsibility to encourage the intergovernmental decisionmaking and that, of course, is the purpose of regional organizations.

If a New Federalism is to be a step forward in our history and not a step backward, when local governments were compelled to seek equal treatment from Washington, we feel regional governments and regional councils will play a very strong role.

We also agree with the Governor's proposal that transportation should be dealt with separately from the New Federalism, at least as far as the fiscal responsibilities are concerned.

We know that mass transit and highway programs cut across all of our jurisdictions and very deeply affect our economy. We are convinced that mass transit and highways are national issues and they have to be addressed at a national level.

Mass transportation is often looked upon as a very high cost investment, it only benefits a relatively small number of people compared to highway use.

Only a national policy can help in the areas of mass transit. NGA also proposes that the fiscal 1984 distribution of the trust fund be based on historical expenditures at levels to hold the States harmless.

This proposal makes good sense as a transition plan. And finally, Senator Durenberger, as you have proposed, State and local governments are clearly uneasy about the Reagan trust fund and its imminent end.

Here NARC clearly believes that Federal revenues dedicated to programs turned back to the States and local governments should continue as long as the Nation, acting through the Congress as a policymaking body, defines certain domestic issues of national concern.

Senator Durenberger, your approach of a dedicated long-term trust fund is one of the ways of insuring that national concerns are addressed on a continuing basis.

We certainly stand ready to work with this committee, with the White House, with you, with the National Governors Association, with the National Association of Counties, U.S. Conference of Mayors, and any other local government interest groups to fine tune the New Federalism into a fair and workable proposal for all levels of government in the federal system and I thank you, very much for your time.

Senator DURENBERGER. Thank you for your testimony.

I don't like to start with a correction but I think I heard you characterize one of my proposals as built on a 1-percent Federal income tax returned on a revenue-sharing basis. I have to correct that. Basically, the way I approached it was to accept the President's no winner-no loser proposition in the first 4 years, in particular. Then I substituted for the windfall profit tax--which we know is going to disappear—an equivalent percentage of the Federal income tax which, if it met current or projected rates, might be somewhere in the 5 or 6 percent category.

Just so there is no confusion to the way we use the term "revenue sharing principles," the current general revenue sharing formula is based largely on tax effort. We would propose to substitute for that a tax capacity formula, such as the one designed by the Advisory Commission on Intergovernmental Relations.

Let me ask you a definitional question before I get into a couple of questions which relate specifically to this subject.

I know something about the regional development commissions in Minnesota since I helped create them. I wonder if you would give us some idea what the RDCs' legal status is nationwide?

Are they, in most cases, agencies or instruments of State governments? Or, are they somewhat like local governments—set up to be constituted by representatives of local governments to carry out some part of the local governments functions? What, generally, is the legal status or nature of the Regional Development Commission?

Mr. NICHOLS. Let me start briefly and then I will refer to John Bosley, who is our legal counsel and knows more about the legal status than I do.

In the State of Maryland, the Baltimore Regional Council is established as a State agency under State law. One third of its budget from the State, two thirds of the budget mandated by State law to be provided by the subdivisions.

We do spend a great deal of Federal money through special grants and special contracts and we dispense and manage Federal grants to those subdivisions within our areas of responsibilities. I might further note that the Baltimore Regional Planning Council consists of more than 50 percent of the population of the State of Maryland.

It consists of elected officials from the executive and legislative branches of local government plus a member of the State senate, house of delegates, two members appointed by the Governor at large and the governor designates the chairman of the council.

Throughout the United States, I think you have almost as many different kinds of regional councils, regional development districts, regional development councils as the imagination can come up with and I don't think that is bad.

That is a part of our system of self government.

I would like to defer to John Bosley, if I might, for a moment, because I know he has done an extensive study and as a matter of fact, has a publication on that issue. NARC has a publication which we would be pleased to make a matter of the record here if you would like to have it.

John?

Mr. BOSLEY. I think Mr. Nichols indicated there is a great diversity and that is true. Essentially, however, I would say that the majority of the regional councils, the vast majority, are akin to agencies of local government and are established in two specific ways, either under general State legislation or enabling acts or under joint exercise of power laws which allow any one general purpose government to work with another general purpose government in exercising any of its varied powers.

So those are the models we essentially find. We find however, as Mr. Nichols has indicated, that there is an evolutionary process here. Since the councils have been established I think there is some clear trend, for example, more and more councils are involving either State executive officials or in most cases now, members of the State general assemblies or State legislatures.

Again, that is to recognize the connection and the need to have a greater affinity toward what kind of decisionmaking is being made both at the executive and legislative side of State government.

Senator DURENBERGER. I asked the question only because NARC may not be just another one of the 10,000 organizations created by the categorical grant federalism which we have for the last 15 years. As we redefine federalism, and particularly its second part which deals with the interrelationships between local and State governments, it seems to me—based on my experience with the regional councils—that they become one of the more experienced links between the past and the future. It would probably be very helpful if the Association of Regional Councils joined the Council of State Legislatures and/or the National Governors' Association instead of being a separate entity, perhaps on behalf of local governments. This might help bridge the transition which the local government people mention all the time as being difficult because of rural-urban or suburban-rural imbalance.

I personally think the regional councils and the association have a tremendous experience to offer in defining in a part of the New Federalism. That is, how are we going to make sure the resource capacity of State and local governments is maximized based on the transition from Federal funding to some other form of funding? Would you disagree with that?

Mr. NICHOLS. I would agree with it, Senator. That is one of the reasons why I started with the comment that, in my own area, the regional planning council has its base in State law. It existed long before the categorical aid Federal programs, and it was a tool of the State and local governments to address their own regional problems. I think it is important and I would urge regional councils all over the country, if they are not like ours, to include membership from the State government, from the State legislature. They have voting members of our council and we have honorary or ex officio members from all of the State agencies who join in all of our meetings so that we do have that interrelationship with the State government.

We believe that it is extremely important. Of course, I personally feel that way, perhaps more so than many others, because I served 8 years in the State legislature before I came to county government. I certainly know the importance of communications between the two.

Senator DURENBERGER. Let me ask you a question—now that I know the background—which deals with your testimony regarding fiscal disparities. Could you give us some perspective on the disparities problem as a former State and now a local official? How do you see it now as chairman of the Baltimore Regional Council? Could you give us some idea of what Maryland is doing to mitigate those disparities?

Mr. NICHOLS. The regional council plays a role in mitigating some of those disparities, at least it has in the past. In many of the Federal programs, funds have been passed through the State government and the regional planning council has been the body that determined whether or not the housing needs were greater in one of our six subdivisions or less.

We have been the allocating body for housing funding, transportation funding, the Clean Water Act funding. We believe that we can continue to play that role and that is one of our concerns about the new program. If that role is removed from us, as close as we are to it, being members of local government as well as members of a group that serves the region as a whole, we are not certain what will occur. We have the capabilities on our staff now to handle it, although I might note our staff has been reduced by 25 percent in the last 18 months which shows we are tightening our belt along with everyone else.

I have even proposed recently that our council could assume some of the other planning functions, such as the health systems planning fuction which is administered by another organization but with boundaries which are identical to those of the regional planning council. I believe we have the capability, the staff, and that we can manage those activities much more efficiently and effectively than a number of organizations can.

Senator DURENBERGER. I understand the role that you can play in maximizing the local government's utilization of Federal funding. What kind of fiscal tools is Maryland using to move towards making the political and economic boundaries of local governments more synonymous? In other words, I assume Baltimore does not have much power of annexation. It cannot just go out and gobble up municipalities. So you have, as we do in any large area, a fair amount of fiscal disparity between urban and suburban and among suburban municipalities. Is Maryland structured to utilize statewide tax resources to mitigate fiscal disparities?

Mr. NICHOLS. Yes, let me cite just a few and by way of background let me say, Maryland has only about 150 municipalities and a new one has not been created since 1954. Annexaction occurs fairly rarely in Maryland because of the State laws that regulate the growth of municipalities. County government certainly is the strongest level of local government within the State of Maryland. Baltimore City is treated as a county by our constitution. Now to address the fiscal disparities and the manner in which the State handles it, each area is handled separately depending on the function. The equalization formula for education aid is managed in such a way that it takes into account the density of the population—of course, it is being challenged in court at the moment and probably we will have some kind of education formula in court forever. We have a similar formula that is based upon such things as geographical area, population density, rates of crimes, and so forth, for police aid. We have another formula that relates to library aid and it is different for each of the subdivisions within the State and it provides assistance to the counties as well as the municipalities.

Senator DURENBERGER. Let me turn now to former Governor, former Congressman, and now Senator Pryor. Dave, do you have any comments or questions?

Senator PRYOR. Thank you, Senator Durenberger.

Does the position of the National Association of Regional Councils fit with the position of the National Governors Conference or the League of Cities? Would you say your position would be similar or different from the positions expressed by these groups relative to the President's new proposal on New Federalism?

Mr. NICHOLS. Based on the degree to which I have had an opportunity to review them, and as I indicated in a written statement which has also been submitted for the record, we are fairly close to the National Governors' Association proposal on a number of items concerning transportation funding and the fact that it should remain at the national level. I think we are compatible with that one. I don't feel capable to comment on the others unless Mr. Bosley as our legal counsel, may have reviewed them and have more information about the association's position than I do.

Mr. BOSLEY. We have reviewed them, Senator. I think Mr. Nichols is right in that the relationship of the National Association of Counties and U.S. Conference of Mayors, our position I think is almost completely compatible.

NLC, as I understand it, has not yet taken a formal position on their policymaking process on the President's proposal yet. That will be forthcoming soon. I would anticipate the fundamental and basic principles that are enunciated in each one of those organizations is fairly close together.

Senator PRYOR. You operate on a regional basis. The New Federalism plan proposed by the President is simply a plan at this time, a concept, I think we all understand that. How did the President and the administration address the regions of the country vis-a-vis the counties and the municipalities?

Mr. NICHOLS. To the best of my knowledge, it does not address the regions of the country, and as our region and all the regions in the State, we have addressed that issue with the State government to the greatest extent of our ability. Of course, our appearance here today as a national association and my appearance as representative of that association is to urge you not to forget that there is a role that regions can perform. There are many instances when a service needs to be performed at a substate level. Sometimes it is at a city level, municipal level, sometimes it's a county level and especially when you are dealing with clean water and highways it is at a regional level.

Senator PRYOR. We deal constantly up here with perceptions and concepts about responsibilities of the Federal Government, the city governments, the local governments, and the State governments. What are the responsiblities of the regions and, also, what are the responsibilities that should be carved out and held within a regional responsibility?

Mr. NICHOLS. Let me first speak for my own region and give Mr. Bosley our legal counsel to speak generally about regions throughout the country if he desires to do so. In the State of Maryland it is established under State law, the regional planning council is basically an advisory body. They do require all local governments to submit their general land use plans, transportation plans, water and sewer plans to the region for public comment. The power of a regional planning council is the power of persuasion, not the power of command.

We can only enforce our decisions if we can convince the people, who are our constituents, that they should carry them out. I am the county executive of one of the counties within the region. The regional planning council cannot force me to change my general plan unless they can convince me that what is good for the region is good for me as well. We play that kind of a role. Did you have any general comments about the regional powers throughout the country that might vary?

Mr. **Bosley**. I think in almost all situations, the regional council does not derive any power over its participating general purpose governments from State law. Essentially, as Mr. Nichols has indicated, their powers are derivative, essentially from whatever requirements are in Federal law, and even though they did predate the first significant initiative by the Congress to require regional decisionmaking, which was I assume in the 1962 Highway Act, the fact is that in most instances, no State law prescribes that a regional council's local members have to follow its policy decisions on regional matters, which is within its interest and concern, and that, quite frankly, Senator, is one of the weaknesses of the system.

We think we are making changes in that. Portland, Oreg., as you know, went into a service distrcit arrangement which would give that metropolitan area a lot of operational and policymaking responsibilities that the individual local governments would have to adhere to. The Minneapolis-St. Paul situation is one which is moving in that direction and I think we will find more and more States and local governments coming to some sort of an accord on the requirement that you do have some sort of a management and policymaking process that has authority and power vested in the body that carries it out, but it's a slow process.

It it almost asking local governments to perform unnatural acts and, therefore, the consequences of the Federal presence and the urging and encouragement given by the Federal Government in many program areas, like clean water, transportation, air, has had a very salutary effect in moving State and local people to look at this issue as a vital issue that they must address.

Senator **Pryor**. I think almost everyone that I hear talking about the New Federalism proposal—Senator Durenberger may disagree with this—the mayors, the Governors, the legislators on the State level and the national level, myself included, the area representatives such as yourselves—it seems like we are all saying the same thing. We support the concept, we like the idea, but, need to do so and so. It seems like all of us have that as a first paragraph in our statement and I am not saying that is wrong.

I think it is the world of reality in which we live.

I think that some of the major concerns that we have in this session of Congress are, of course, the recession, unemployment, and the budget deficit, and I think it is going to be difficult for the New Federalism issue to compete in this sea of sharks up here, with the other issues. Those other issues are so immediate, and I think that people are not relating really to the immediacy of the New Federalism issue which triggers in 7, 8, 10 years from now.

I would like to ask this question and I go back to revenue sharing in the late 1960's, 1969, I think. What would happen, and you are a county executive, Mr. Nichols, what would happen if we establish a trust fund with excise taxes or various sources fueling that trust fund, and that trust fund was apportioned to the States and to the local and county governments on the same ratio and the same basis with a gradual taking over of the responsibilities of some of the programs, knowing that the funding would be there and knowing it would be apportioned on that basis.

Let's say we trippled, or quadrupled revenue sharing with the understanding that the local governments were going to start taking over these programs on a gradual basis triggering in, say, several programs each year with increased funding each year for local governments. Would that be a concept that the Congress should consider?

Mr. Nichols. I have to make a number of assumptions in listening to you talk about that and one of them is the programs that the local government is going to be taking over and funding out of that trust fund are programs which the Congress has determined are national policy and must be funded at a certain level.

Now, we would do our best to obey the law and to continue to fund at that level. I don't know whether the trust fund that you are talking about as a concept would be adequate to continue funding at an acceptable level.

That is one of the points our association makes and I think all of the associations that are appearing before you make. That whenever and wherever Congress has established a national policy of a minimum standard of performance for a program, we believe that it is the Federal administration's responsibility to assist us in meeting that rather than saying you will do it at this level and we don't care where you get the resources.

We think the Federal administration has some responsibility to help us meet that minimum standard. On the other hand, to answer your question directly, if the Federal resources are not there, we will somehow do the best that we can and try not to be in violation of the law.

Senator Pryor. I think in your original statement, and I am sorry I missed it, but I think you alluded to the fact that you are concerned or worried about the trust fund's self destruction.

Mr. Nichols. The temporary nature, correct.

Senator Pryor. I want to certainly praise you for looking out into the future. If I am not mistaken, Senator Durenberger is proposing a concept of a nondestructable trust fund.

Mr. Nichols. We are supporting that.

Senator Pryor. You like that concept. Do you think that the local governments that you deal with and that you associate with would accept, on the local level, the responsibility that they must meet in attempting to come up with their share of the dollars to run tbe programs that the New Federalism concept would give?

Mr. Nichols. Yes, sir. That is the first unqualified answer I have given you.

Senator Pryor. Do you feel that taxes raised to support these programs, and to insure that local governnents meet their side of the responsibility should be raised tbrough local option elections or should these funds be appropriated by the State legislature?

What do you recommend as a formula of distribution?

I am not talking about regions now, I am talking basically as to your hat as a county executive.

Mr. Nichols. I took off my regional hat. As long as it is a mandated program, all of us feel strongly that the mandating authority, whether it be State or national, should bear fiscal responsibilities in assisting us in carrying it out. And to the degree that a program is mandated upon us and it does not have the fund to follow the program, we have really no choice except to fund that program with the local property tax.

That causes many of us a great deal of concern because we feel the real property tax, basically, is a regressive tax and we do know that the States and the National Government have much more progressive taxes which are much more related to the ability of our constituents to pay.

Senator **PRYOR**. Dave, I think for the moment that is all I have.

Senator **DURENBERGER**. Thank you very much for the questions. Thank you, Mr. Nichols. We appreciate your testimony.

[The prepared statement of Mr. Nichols follows:]

STATEMENT OF J. HUGH NICHOLS, COUNTY EXECUTIVE, HOWARD COUNTY, MD.; AND CHAIRMAN, BALTIMORE REGIONAL COUNCIL, ON BEHALF OF THE NATIONAL ASSOCIATION OF REGIONAL COUNCILS

Mr. Chairman, I am Hugh Nichols, Chairman of the Baltimore Regional Planning Council, and County Executive, Howard County, Maryland. I am here today as a representative of the National Association of Regional Councils.

The National Association of Regional Councils represents approximately 350 of the nation's 600 substate regional councils of local governments. In the main, regional councils are agencies of local governments and operate under the direction of city and county elected officials. They fill a gap in our intergovernmental structure by dealing with problems that transcend jurisdictional boundaries and must be addressed on a regional basis. The basic responsibility of a regional council is to be an umbrella agency which facilitates regional coordination and management activities. Many regional councils also arrange for the implementation of regional policies.

By their nature, regional councils must deal with federal, state and local interests and thus, in most cases have evolved into truly intergovernmental brokers. By bringing parties together and opening channels of communication, they resolve conflicts through compromise and negotiation.

Mr. Chairman, we appreciate this opportunity to present our views on new federalism. I would like first to address President Reagan's plan for a new federalism and second, to address some alternative plans including that outlined by a distinguished member of this panel, Senator Durenberger.

At NARC's winter meeting in Washington, D.C., in late January, new federalism was a hot topic. At that meeting, attended by over 600 local officials, the broad outline of new federalism as presented by the President, was met with enthusiasm as a continuation of efforts to redress the inbalances in our federal system. My local government colleagues generally concur with its basic intent to move more authority and resources back to state and local government.

But while it is generally recongized that the President's proposal continues to move us in the right direction, there are some reservations on the proposed terms of the envisioned "swap" and the revenue turnback proposals. Let me note, Mr. Chairman, that NARC gave qualified support to the President's new initiative at our winter meeting and our position is reflected later in my statement.

The President promised consultation with state and local officials in the fine-tuning of his final legislative package. Indeed, he has made good on that promise; many local officials have gone to the White House in the last few weeks for an exchange of views on the President's plan.

Because there is not yet a final legislative package, I am sure the panel appreciates the difficulty of commenting on new federalism other than in general terms. However, we do have the broad outline. And it is to that outline that I will address myself today.

NECESSARY PRINCIPLES

The President proposes to rearrange federal, state and local governmental responsibilities and funding for over 40 federal grant assistance programs over an eight year transition period beginning in fiscal year 1984. He also proposes that the first major step in his initiative be a "swapping" of responsibilities: the federal assumption of all medicaid for state take over of the federally assisted food stamp and aid to family with dependent children programs.

The National Association of Regional Councils has supported and continues to support President Reagan's commitment to transfer more authority and responsibility over federal assistance programs to state and local governments. But, we firmly believe that such efforts, including the program swapping and revenue/tax turnback proposals in the President's new federalism plan, must not result in the abatement of the federal government's responsibility for addressing national purposes and needs.

Historically the federal government has addressed the disparities among the states in meeting essential needs of our citizens. Driving this federal involvement were two key thoughts. First, the federal government recognized that states and regions have differing fiscal capacities; that is, some areas are richer than others. Recognizing that there will always be a difference in relative wealth, the federal government attempted to establish an acceptable "floor" which would assure every citizen certain basic social and economic opportunities, so that they would not be disadvantaged by happenstance of geographic location. Secondly, most states have failed, unfortunately, to adequately address the fiscal disparities among their own cities and counties. Even when it has been within a state's power to somewhat alleviate this—through its system of taxation, for example—state legislatures have not generally responded to narrow fiscal disparities.

Therefore in our view, it is imperative that federal programs that are based on the need to provide minimum standards for the quality of life for our nation's citizens must not be terminated while such needs exist, especially in view of the disparity in wealth and political will among the states to address such issues.

For the President's plan to be workable, we propose that proposals to transfer responsibility and funding sources to state and local governments be premised on the following principles:

Federal revenue/tax turnbacks must be equal to defray the costs of the programs and responsibilities transferred to the state and local governments;

Disparities among the states resulting from mismatches in their wealth relative to the needs of their residents in the transferred federal programs must be recognized and tax turnbacks to the state shall only take place where these disparities will be corrected by continued federal revenues to augment the revenues raised through the federally transferred tax source;

State tax levies on any returned federal tax source must be instituted by the state and at rates at least equivalent to the federal tax it replaces. The resulting revenues must be dedicated to the purposes of the program funded by the federal tax as long as Congress determines there is a national need and interest to address such problem;

The transfer of program responsibility or tax turnbacks to the states shall be conditioned on the preservation of existing rights of local governments and their regional councils to mandatory funding pass-through arrangement and involvement in planning and in decisions on allocation of program funds; and

Existing programs that deal with problems that Congress has determined by their nature can be more effectively managed on a multijurisdictional basis at the substate or interstate metropolitan area level must continue to be administered on such basis with the regional council as preferred management and coordinative unit unless state law provides otherwise.

We would call the committee's attention to the last principle cited. It is of paramount importance to NARC. By its nature, our associaiton has as its greatest interest the development of public policy which assists local governments in dealing with fiscal, economic and social problems that are multijurisdictional and substate in nature. We would hope that the Congress and this panel recognize that there must be a strong federal role in encouraging and, where appropriate, requiring states and local governments to address problems at the regional level where by their character individual local government initiatives are not enough.

ALTERNATIVES TO THE PRESIDENT'S PLAN

A crucial question raised by the President's plan is how to deal with the fiscal disparities that are expected to result among the states if it is enacted. The President would eliminate 43 federal assistance programs and put in their place a temporary $28 billion revenue sharing pot. Initially, this is expected to mean no winners and no losers among the states; lost categorical federal dollars would be replaced by shared revenues or a dollar of foregone medicaid responsibility.

But as the plan moves toward its second phase—revenue turnbacks—we run into problems. This phase calls for states to replace lost federal revenues by picking up selected federal excise taxes (alcohol, tobacco, gasoline and telephone service) and the windfall profits tax on oil, all of which would be repealed.

According to the calculations of Senator Dave Durenberger, many states could end up losers under the President's plan. Sixty percent or about $17 billion of the $28 billion revenue sharing pot is tied to the windfall profits tax. Therefore, reasons the Senator, states could be caught short as much as $17 billion, largely because they cannot take full advantage of a windfall profits tax at the state level. Few states have oil production. Senator Durenberger proposes, therefore, the dropping of the tax turnback portion of the President's plan. He suggests instead that a trust fund be created by dedicating one percent of the federal income tax, adding in excise taxes for this purpose and distributing the funds from this trust on a revenue sharing basis.

As the economy grows, so too the trust fund and needs of states could continue to be met. He also proposes that a distribution formula be established which would attempt to equalize the fiscal capacity of each state to deal with its new federalism responsibilities. In our view, this should be thoughtfully considered by this panel and by the White House, as we try to find a workable approach to returning authority and resources back to states and local governments. In fact, the Senator's proposal meets one of the previously stated principles adopted by the NARC Board that says that in the event of tax turnbacks, revenues must be dedicated to the purpose of the program that was funded by the federal tax as long as Congress determines there is a national need and interest to address such problems. We endorse this approach.

THE GOVERNORS' PLAN

Mr. Chairman, we also find merit in the proposal recently floated by the National Governors' Association. An underlying principle of that proposal is the insurance that the fiscal year 1983 domestic budget not be cut in a manner which will weaken the capacity of state and local governments to meet the service requirements of their citizenry. We see this as key to new federalism discussions. Another feature of the Governors' plan which we think deserves scrutiny is the principle that decisions on programs that are returned to the states should be made in partnership and cooperation with local governments. The national government has a responsibility to encourage such intergovernmental decisionmaking, if new federalism is to be a step forward in the nation's history and not a step backward into the days when local governments were compelled to seek equitable treatment via Washington. The states have said that they are up to this challenge, and we believe they are ready to make a good faith effort in that direction. But we also strongly urge the added safeguard of federal leadership on this issue.

We agree with NGA's proposal that transportation programs be dealt with separately from new federalism. Both mass transit programs and the highway trust fund deeply affect community agendas. Moreover, decisions made in these programs have far reaching implications for many segments of our economy in this highly mobile society. We are firmly convinced that these are national issues and must be addressed at the federal level. On this point, Mr. Chairman, we are able to cite the dilemma that metropolitan areas are facing in the process under which state legislatures are considering increasing dedicated revenues for transportation purposes. The propensity in most state legislatures is to provide most of these new resources to the maintenance and construction of new road projects. Mass transportation is often looked on as a high cost investment which provides service to relatively small numbers of people compared to highway use. Only a nation policy can help remedy this imbalance.

NGA also proposes that fiscal year 1984 distribution of the trust fund under new federalism be based on historical expenditure levels to hold states harmless. A sliding scale of distribution keyed to addressing state fiscal capacity would be phasing in beginning in fiscal year 1985. We think this proposal makes good sense as a transition plan, although the allocation levels should be the topic of more debate.

Lastly, like Senator Durenberger, states and local governments are clearly uneasy about the Reagan trust fund and its imminent end. Here NARC clearly believes that federal revenues dedicated to programs turned back to state and local governments should continue as long as the nation—acting through Congress—defines that certain domestic issues are of national concern. Senator Durenberger's approach of a dedicated long-term trust fund is one of the ways of ensuring naitonal concerns are addressed on a continuing basis.

We stand ready to work with this committee, the White House, Senator Durenberger, NGA and the other local government interest groups, to fine tune a new federalism that is fair and workable for all levels of government in our federal system.

Thank you.

Senator DURENBERGER. Next we will have a panel of witnesses representing the National Association of Counties: Scott Fosler, county councilman, from Montgomery County, Md.; Bob Honts, county commissioner fron Travis, Tex.; and Doris Dealaman, freeholder from Somerset County, N.J.

The written testimony has been received and will be made a part of the record.

Scott, do you want to be first?

TESTIMONY OF SCOTT FOSLER, COUNTY COUNCILMAN, MONTGOMERY COUNTY, MD.; ROBERT HONTS, COUNTY COMMISSIONER, TRAVIS COUNTY, TEX.; AND, DORIS DEALAMAN, FREEHOLDER, SOMERSET COUNTY, N.J.

Mr. FOSLER. I will be first, Senator.

Let me say thank you for having us testify before you.

I want to also say we very much appreciate the proposal that you have made which we presented to all of our county officials at the recent national meeting that we had. We felt as if it was extremely constructive, obviously quite extensive to the needs of county government and we appreciate the effort that you have made.

My name is Scott Fosler. I am a county councilman from Montgomery County, Md., and serve as chairman of the intergovernmental affairs and local determination steering committee, the policy committee having jurisdiction for the broad federalism question.

My colleagues and I come before you this morning to speak on an issue of primary importance to public officials at all levels of government—the New Federalism.

Joining me this morning are Doris Dealanan, freeholder from Somerset County, N.J.; on my left, and a long-time member of both the association's board of directors and the human services policy committee, and Bob Honts, commissioner of Travis County, Tex.

Mr. Honts serves as chairman of NACO's taxation and finance steering committee which has reviewed tbe revenue questions under the New Federalisn proposal. Together, we three elected county policymakers will present the views of the National Association of Counties on the President's proposal. And I add that we also represent the views of our national association on the State and local government coalition which has been formed in a spirit of cooperation and is composed of the major State and local public interest qroups.

This coalition, as you know, is chaired by Governor Snelling of Vermont.

Let me make it clear at the start that counties do indeed support decentralization of government. It is, and has been, the cornerstone of our home rule policy. In fact, the home rule section of our American county platform begins with the exact language first reported by the Kestnbaum Commission in 1955. Though I am sure it is familiar to the members of this committee, I think it would be useful to repeat it.

The policy reads:

> Leave to private initiative all the functions that citizens can perform privately; use the level of government closest to the community for all public functions it can handle; utilize cooperative intergovernmental agreements where appropriate; reserve national action for residual participation where State and local governments are not fully adequate and for the continuing responsibilities that only the national government can undertake.

Our association remains totally committed to this policy.

In addition, there is absolutely no question that a sorting of our government roles and responsibilities is not only desirable, but absolutely essential. County officials, nationwide, recognize this need and have expressed a real desire to come together with State and Federal officials in a domestic summit to determine the responsible roles we each must play for effective, efficient, and economical, yet responsive government.

The President does not support this convocation approach though each of the major State and local government organizations do.

We believe the President's and county official's ultimate goal is very much the same—to return authority and power to State and local governments.

We are encouraged that the President is willing to enter into a dialog on his proposal, and we have been impressed with the openness he and his administration have shown in a willingness to sit down with us and talk about these proposals.

With amendments, his policy can be a beginning step in making real progress to insure a government that works best for all citizens, including that large segment of our population that is economically disadvantaged.

We do have concerns with the President's plan which centers on four key areas.

First, the swap or those programs determined to be Federal in nature and those a function for State and local governments; second, the revenue to cover the cost of services; third, the relationship between the Federal Government and local governments, that is, does a direct relationship exist; and, finally, the fiscal 1983 budget as it relates to the entire revenue or trust fund question.

At our legislative conference just 2 weeks ago, our New Federalism task force drafted a resolution which was unanimously adopted by our board of directors. We will make reference to the resolution as we highlight it this morning.

[The resolution referred to follows:]

STATEMENT ON NEW FEDERALISM BY THE NATIONAL ASSOCIATION OF COUNTIES

The National Association of Counties (NACo) congratulates President Reagan for initiating a reexamination of the roles and responsibilities of federal, state and local governments. We continue to strongly support the concepts of decentralization. We pledge our complete support for the goals of providing control of essential government services, in so far as possible, at that level of government most capable of delivering them. This position is based on including in the concept those basic elements set forth in the following document.

NACo applauds the President's compromise in the federalization of Medicaid and his willingness to discuss federal assumption of optional Medicaid services. We recognize the President's good faith effort in this regard, and in the same spirit, we will continue to work closely with the Administration on the question of income maintenance. We further appreciate his support for the various protective mechanism for local government such as pass-through, hold-harmless and maintenance of efforts' provisions contained in the Initiative.

We are particularly supportive of key elements of the President's draft proposals including continuation of General Revenue Sharing; returning programs' responsibilities to state and local government together with financial resources necessary to meet the responsibilities; and reduction of federal regulation.

We welcome the President's invitation to NACo and our sister associations of elected state and local officials to enter into a dialogue with the Administration and the Congress on New Federalism. We will be supporting the following concepts in this dialogue.

1. STRENGTHEN GENERAL PURPOSE GOVERNMENTS

Any transfer of program responsibility to the states shall recognize and preserve the role of general purpose local governments as the principle public service delivery unit. Such recognition should be reflected in such forms as:

a. *Mandatory Pass-Through.*—Full and mandatory pass-through of funds by the states should be a procedural safeguard in any turnback strategy where the local government is required to continue services of the program(s) turned back.

b. *Preserve Existing Relations.*—Preservation of the existing Federal-local funding relationship for the entitlement, or direct formula allocation, portion of existing grant programs.

c. *Familiarity.*—Recognition of current participation in and expertise gained by local government in programs identified for turnback. This principle of familiarity and prior use is significant in any transfer program.

d. *State Consultation.*—The commitment by the states for meaningful consulation and negotiation with their local governments; and the preservation of existing coopertive decisionmaking relationships established in many programs proposed to be turned back. We are particularly interested in meaningful consultation with the states as it relates to new state levies imposed to replace vacated federal taxes and how they relate to program responsbility and service delivery; disparities, both in fiscal resources and responsibility, between the various intrastate governments; managment and administrative practices in the delivery of public services; and maintenance of effort for state funding for current services.

e. *Hold-Harmless.*—Hold-harmless provisions should be employed where the continuation of a service level is required, whether by law or judicial decision.

f. *Administrative Costs.*—Federal programs and funding turned back to the states where a local role exists should contain a statutory requirement capping state administrative costs. Where the state interjects itself through the imposition of additional requirements, either program or administrative, there should be an obligation on the part of the state to adequately fund these additional requirements. This represents the long-standing NACo principle that the level of government which mandates an activity should accept funding liability.

2. RESOURCE MATCH

NACo reiterates its support for the return of responsibility and authority over federal assistance programs where such programs are returned with resources equal to the costs of the programs returned.

3. INCOME MAINTENANCE

NACo maintains its position that income maintenance programs, such as AFDC and Medicaid, should be the role responsibility of the Federal government, with resources adequate to meet rising costs.

4. FEDERAL TAX BASE

Where federal revenues are pledged to fully fund programs and responsibilities transferred or returned to general purpose local governments, these revenues should be composed from a percentage of the base of the federal income tax so as to recognize the fiscal disparities of other tax sources. This fund should be a guaranteed entitlement trust not subject to the annual Congressional appropriations process, on an ongoing basis beyond the transition period.

5. GENERAL REVENUE SHARING

Where appropriate, NACo supports the use of the general revenue sharing program, its formula, allocation system and requirements as a representative model in determining fund distribution programs.

6. REGULATIONS

Consistent with the overall thrust of the New Federalism, basic and integral administrative functions of state and local government should remain or become the sole province of those levels of government to legislate, regulate and manage. State and local government flexibility should not be impaired or circumscribed by federal restrictions or regulations in these basic policies and functions. All levels of government should work toward the reduction, simplification and sunset of government to government mandates.

The NACo Task Force on Federalism, NACo officers and staff shall use and refer to these points in any consultation process and in the formulation of legislative proposals as it relates to the New Federalism initiative. In addition, relevant points pertaining to the initiative as contained in the "State, County and City Government Principles and Priorities for Partnership Federalism" document (New Coalition, Dec. 16, 1981 and to be considered by the NACo Board, February 23, 1982), and which reflect a composite of views of the various state and local public interest groups will be taken under consideration.

Mr. FOSLER. Sorting out the responsibilities is clearly not an easy task. It must be done cautiously and especially importantly, collectively. There are some functions of Government which may never be the single responsibility of a particular level of government simply because our intergovernmental system is too intertwined and our clear constitutional divisions of the past have been transformed into a composit intergovernmental system for many functions.

Policies decided at one level may have an enormous effect on the type of quantity of a service provided at another level. Examples of this are immigration policy and transportation policy. Throwing categorical program dollars in a single pot and placing a label on it is certainly not sorting out. It is too simplistic an approach. Counties do not have any comprehensive or grandiose scheme of how this system should work.

Such policies, we believe, need to be worked out together. Federal, State, and local governments each have particular roles to play. Only in designing a system together, can we achieve true sorting out. We are eager to try to do it.

Just as there is no simple and single answer to sorting out, the Federal funding relationship with local government is no simple matter. Using a strict constructionist attitude, the block grants of last year were directed to the States.

Counties are greatly encouraged by the President's acknowledgement that passthrough of funds under New Federalisn is an important question. Our policy calls for the recognition of county governments as integral partners.

To insure that counties can continue to provide essential services under the President's plan, our policy resolution calls upon the Federal and State government to recognize and preserve the role of general purpose local governments as the principle public service delivery unit. We specify several principles in that regard:

Full and mandatory passthrough of funds by the States should be a procedural safeguard in any turnback strategy where the local government is required to continue services of the programs turned back;

Preservation of the existing Federal-local funding relationship for the entitlement, or direct formula allocation, portion of existing grant programs;

Recognition of current participation in and expertise gained by local government in programs identified for turnback. This principle of familiarity and prior use is significant in any transfer program;

Application of hold-harmless provisions where the continuation of a service level is required, whether by law or judicial decision; and

Finally, a commitment by the States for meaningful consultation and negotiation with their local governments; and the preservation of existing cooperative decisionmaking relationships established in many programs proposed to be turned back.

With regard to the consultation question, we are particularly concerned that the consultation process be neaningful and that the process would allow us, that is, both the States and local governments together, to jointly determine a number of specific policies, particularly as they relate to the following:

New State levies imposed to replace vacated Federal taxes and how they relate to program responsibility and service delivery;

Disparities, both in fiscal resources and responsibility, between the various intrastate governments; and

Management and administrative practices in the delivery .of public services; and, the maintenance of effort for State funding for current services.

Mr. Chairman, we would like to move on to our concerns with the revenue question, and for that, Commissioner Honts, our taxation and policy committee chairman, will present the next portion of our statement.

Mr. HONTS. Mr. Chairman, my remarks need to be viewed in the framework of the revenue structure of local governments prior to this proposal.

Local governments stand at the end of the revenue source chain and, as such, have often received the last of the revenue sources. These sources tend to be regressive and inflexible and, at best, limited. The rate of expenditure increase and the increase of debt in relationship to assets of cities and counties, nationwide, have, set off a series of alarm warnings regarding the long-term demands of city and county governments.

NACo's concern with the revenue portion of the President's proposal centers on three main areas. First, the shortfall as a result of the various swaps, both major and minor, and the fiscal year 1983 budget proposals. Second, the adequacy of the resource base and, third, the nonpermanence of the revenue trust.

As proposed, the concept is the good news. The concept of returning programs and revenue sources to local and State governmental entities.

The bad news, from our perception, is that the revenue is not enough; it cannot be distributed properly and disappears in 1991 after substantial shrinkage to something we know not what.

As your proposal, Senator Durenberger, has recognized the trust fund under President Reagan's plan contains a substantial revenue shortfall as a result of several important factors. Though the administration has designed the swap package so that there would be no winners and no losers in the short term, needless to say there is a loss of funds to the States overall.

For example, the President's plan assumes that the Federal share of both the AFDC and the food stamp program will increase by 11 percent to $16.5 billion in fiscal year 1984. However, CBO analysis has shown this is $5 billion less than needed to run these programs.

The President's plan also assumes acceptance of a $3.7 billion budget cut in this next fiscal year.

A second example, the administration's analysis projects that the States would gain $2.6 billion as a result of the welfare-medicaid swap, but CBO's analysis shows a net loss of $1.5 billion due to their use of higher estimates in the AFDC and the food stamp program.

Now let's add those together, the $5 billion added to the $1.5 billion difference shows the States lose a total of $6.5 billion in the swap.

Although the State gains or losses from the welfare-medicaid swap are initially offset in the allocation of the trust fund revenue, the fund would be phased out beginning in 1988. For this reason, the fiscal 1984 effects of the swap proposal do represent an important factor engaging the longer range fiscal impact of New Federalism in 1991 and beyond.

In addition to the revenue loss under the swap proposal, the miniswap, that is the exchange of categorical programs to make up the trust fund, also falls short of the revenue required to operate the same services funded previously.

Let me explain. The plan proposes $28 billion as a fund to pick up costs expected to be $30.2 billion in fiscal year 1984. That is a $2.2 billion loss. The loss is then, when added to the others, $8.7 billion when totaling this difference with that under the major swap.

At the local level, and let me stress this point, at the local level, the services to be maintained and the demands for them under the categorical programs must be provided, regardless of any options or revenues. At least at this point, here we must stand with the service demand and it will be virtually impossible for State or local governments to immediately opt out of many of the turnback programs, particularly highways, welfare, and health care.

The trust fund does not take into account a most important variable which is certainly with us, that inflation. The funding level remains constant as proposed for the first 4 years, and then decreases until it is phased out.

Assuming an inflation rate of 7.6 or 7.3 percent, for example, AFSCME recently projected $30.2 billion expected cost for the turned-back programs actually represents $37.5 billion at fiscal year 1982 appropriations and is projected to cost $48.5 billion in fiscal 1984.

If these figures are accurate, and we believe they have some merit, the proposal would swap a $28-billion trust for an expected $48.5 billion cost of services. This represents a $20-billion loss in addition to the initial loss under the superswap which we have already discussed.

The States, as a whole, cannot absorb these costs. Counties and cities will carry the burden when push comes to shove and the time arrives to balance the budget.

The budget which doesn't arrive stops somewhere else, but the service demands remain as usual at the local level.

Mr. Chairman, in addition to our concern with the shortfall question, our second concern, which we have expressed, deals with the adequacy of the resource base. As mentioned earlier, the trust fund goes into effect in fiscal year 1984 with a major shortfall in meeting the responsibilities of 124 programs turned back. Now the trust proposed is composed of three basic components: The categorical program dollars, excise taxes, which I might point out not all States will have access to them, and windfall profits tax, which even fewer States can approach.

Under the proposal, there will be no increases to the fund. Let me say that again, there will be no proposed increases to the fund. Savings due to the resulting streamlining and efficiency, if that can be achieved, cannot offset the difference.

When the trust terminates, State and local governments supposedly have the option to pick up the voided excise or windfall profits tax to raise additional revenue. But let me point out that 60 percent of the trust relies on windfall profits taxes and where only oil production States have the access to those taxes, I might add, my State included.

Five States produce 80 percent of oil in this country and only 23 produce any oil. As a revenue base, the tax is clearly inadequate and its use or proposed use raises serious equity questions.

With regards to excise tax, some States, such as Utah, cannot raise the same revenue as a State such as Nevada on cigarettes or alcohol. In fact, Mr. Chairman, initial analysis projects that States in the Northeast and Midwest would receive 49 percent of the financial responsibility for programs turned back, but would receive only 35 percent of the excise tax without increasing the existing tax rate.

This represents a $14 billion swap in program costs for a $4 billion amount of revenue raised in excise taxes.

Mr. Chairman, this portion of the President's plan requires careful consideration. NACo applauds the consideration which you have given to the question in your alternative proposal, and I might add we further applaud the cooperation that your staff and which you have provided in making available an analysis of your proposal at NACo's recent legislative conference. It was considered by the more than 1,500 delegates. We support tying the trust to a portion of the Federal income tax base.

We believe it is a much more equitable and workable approach and strongly urge the Congress to give serious consideration to the proposal.

The formula allocation of trust fund dollars, which we have discussed, is based on the average for fiscal years 1979, 1980, and 1981. This distribution formula is then projected using the same needs base for 12 years.

This approach does not recognize any change in need since 1978, when those allocation formulas were first developed.

Clearly the world does not and will not stand still. There have been many changes in need since 1978. It would be like assuming in 1982 that we would base our programs on the 1970 reality. Some urban counties are picking up additional responsibilities almost daily which drastically changes the type and level of services they provide.

The changing economy in recent months alone has had a tremendous effect on the level of services now required in health, employment, and social services.

The Nation's demographic figures argue that many changes have and will continue to take place.

As presently drafted, however, the formula allocation would not take these needs into account on an ongoing basis.

And now our third and primary concern: As mentioned throughout this statement, the trust fund established under the President's proposal is not a permanent trust. It would remain constant for 4 years and then be incrementally phased out.

There is a saying in my State that it's a dangerous thing to leap a chasm in two jumps. After 1991, the State and local governments will supposedly have a new revenue source as a result of voiding the Federal presence in some taxing areas so that State and local governments can assume these new responsibilities.

Even with those States that could do it, the assumptions that those revenue sources will pass through to the local level is not necessarily so. We and I personally are greatly concerned with the long-term consequences of the plan. Revenue sources which are realistic and adequate must be provided and most importantly must be certain so that we can plan and utilize the other resources that we have around that base. The President's proposal, in concept, is good. In practice, however, a substitute for the revenue package should be considered.

A permanent attachment or percentage of the Federal income tax, and I stress permanent, is greatly supported and urged by the Nation's county governments. For this reason, we applaud the provision for a permanent trust in your alternative proposal.

We must be sure to provide adequately for the future and not lose sight of the long-term needs of State and local governments and the people that we will serve.

The National Association of Counties has some serious reservations regarding the revenue question under New Federalism. Our policy is clear. We support the concepts embodied in decentralization and we are encouraged by the President's willingness to consider our concerns. We urge that President Reagan and this Congress seriously consider the New Federalism proposals and we applaud the administration's effort to tackle this particular program.

However, we will support the proposal only when it includes these essential points:

We reiterate our support for the return of responsibility and authority over Federal assistance programs where such programs are returned with resources equal to the cost of the programs returned.

Where Federal revenues are pledged to fully fund programs and responsibilities transferred or returned to the general purpose local governments, these revenues should be composed from a percentage of the base of the Federal income tax.

Where appropriate NACo supports the use of general revenue sharing, its formula, its allocation system, and its requirements as a representative model in determining fund distribution programs.

Mr. Chairman, I will be happy to answer any questions which you or the members of this panel may have regarding our revenue concerns.

The counties look forward to working with you and the administration in the months ahead as we would now turn our concerns with regard to the income maintenance questions. Freeholder Doris Dealaman, a long-time member of our human services policy committee, will present that portion of our statement.

Senator DURENBERGER. Before I go to Ms. Dealaman, I have to ask you one question. Then I will have to leave and let Dave or someone take over. Is it true that the tax is a constitutional limitation?

Mr. HONTS. No, sir, I don't believe that is a constitutional limitation.

Senator DURENBERGER. That is interesting. I heard that from one of your Senators the other day in the Finance Committee. I am curious whether or not——

Mr. HONTS. The Texas constitution defies the limits of any one man or person to understand. There is an overriding constitutional limitation in terms of welfare, where welfare is generally assigned to the counties, From there, Senator, we scramble.

Senator DURENBERGER. Let's pass Doris a microphone. We welcome you here.

Ms. DEALAMAN. Thank you.

Mr. Chairman and members of the committee, I have served with the National Association of Counties in a number of capacities, as a member of the board of directors, chairperson for the aging, representative to the State-local coalition and, formerly, as you know, a member of ACIR. In each of these roles and in my capacity as an elected county official for, oh, dear, 15 years, I have studied the respective roles of Federal, State, and local governments and I wholeheartedly concur with my colleagues here, that we do need a proper sorting out of roles and that some Federal programs should be transferred along with, and we all repeat, adequate revenue sources to State and local governments.

Today, I would like specifically to address the New Federalism issues related to the human services program and the proposed swap of federalizing medicaid in return for States and counties taking on AFDC and food stamps.

NACo has maintained for many years that income maintenance is a Federal responsibility requiring a base of national equity for both recipients and taxpayers. This position was reaffirmed by NACo's board of directors at our recent legislative conference. On that basis, we welcome the administration's willingness to federalize the medicaid program. The suggested shift of AFDC and food stamps, however, does not fit into our principles for sorting out of our responsibilities in a way that assures each level receives the functions it is best equipped to finance and administer.

Counties have major responsibilities for the financing and provision of health and welfare and social services to the aged, the poor, the disabled in this country. As an organization, and as the elected officials accountable at the local level, we have supported the full range of welfare reforms from system reforms to control of abuses to most of the last year's benefit cuts.

We have a strong stake in assuring well managed and cost efficient welfare programs. In most of the 15 States where AFDC and food stamps are administered under county jurisdiction, the counties pay a substantial portion of the nonfederal administrative costs. A number of counties pay a share of the AFDC benefit costs as well. In my own State of New Jersey, counties pay 25 percent of all the nonfederal costs of AFDC. These county systems together, even though they are only 15 States but they account for more than half of the welfare population in the Nation.

NACo's membership has consistently recommended that all income maintenance should be federalized and that eligibility for benefits be tied to work programs for people who can work. We believe that national uniform standards and administrative procedures should be developed. The Reagan administration has begun this in steps it has taken to set income limits retrospective accounting and work requirements last year. Without strong national standards, the well known disparities that have been referred to here today by others, among the State programs will simply be exacerbated.

Counties, States, and recipients will suffer the effects of the variables of State economies and their respective taxing capacities.

County support of these programs and the heavy burdens placed by health and social services and general assistance are, as you know, financed by the property tax. I don't need to tell you how unlikely it is that counties across the country would be unable to substantially increase property taxes to pay for higher welfare costs, particularly if high unemployment persists. My own State has a 5 percent cap on county expenditures and all the expenditures must be included under that cap.

As for the food stamp program, we still support cashing it out as a way of simplifying the complex national welfare system and saving a lot of Federal dollars. The amount of food stamp benefits now received would be paid in cash for eligible persons as a part of the AFDC or SSI check. For eligible nonassistance households, a Federal system could administer cash, such as through community centers or through the welfare departments.

With regard to medicaid, NACo has long supported the principle that financing health care for the poor ought to be a Federal responsibility. The advents, you will recall, of the medicaid program in 1965 was originally thought by many to be a very suitable compromise. The Federal-State financing partnership was established which was designed to address the economic disparities between the States while providing States with incentives to improve access to care.

Unfortunately, it has become painfully evident that health care costs are escalating far more quickly than State and local government's capacity to generate the revenues.

Today medicaid pays for approximately half of the population below the poverty level. In some 14 States, counties finance a portion of the nonfederal share of medicaid costs. According to the latest available data, in 1979, that amounted to over $1 billion. In addition, counties in most States are mandated to finance the costs of care for those who are not eligible for medicaid. Widespread program cutbacks have resulted in cost shifting to county governments, particularly those which operate hospitals, nursing homes, clinics, and other facilities.

Based on data reported by ACIR, in 1980, local governments were spending some $13 billion on health care over and above what they spend on medicaid. Given the 15 percent annual rate of increase in health care costs and Federal and State cuts in the medicaid programs since that time, counties literally have had to choose between accelerating their rate of spending for health care or cutting back on services.

Where counties finance their own hospitals, the possibility of service cutbacks or even closure of facilities affects all elderly, poor and disabled Americans who rely on these institutions for their care.

As we understand it, the administration's initial proposal to federalize medicaid is based on the assumption that the States would be saving $19.1 billion medicaid costs in fiscal year 1984. However, this is based on current law rather than the administration's proposed changes to further reduce Federal medicaid funding in fiscal year 1983. We are concerned that proposed changes for fiscal year 1983, if adopted, would result in additional cost shifting and service cutbacks and ultimately, a sized-down federalized system in 1984.

We are equally mindful of such pitfalls subsequent to fiscal year 1984. Assuming that the current inflationary trend persists, county governments must be concerned that a federalized medicaid program address such factors as: The increasing costs of medical care, population growth, growth in the aging population, local economic variables, such as unemployment, the numbers of indigents who are inelgibile for medicaid and the range of services for essential health care needs.

In this regard, we would include long-term care as well as primary and acute services.

In hearings before this committee last month, David Stockman, OMB Director, testified that the Federal Government would require a mantenance of effort provision on the States to insure that the poor and needy are considered and cared for in the allocation of both State and trust fund dollars. We are concerned that the Federal Government honor a similar requirement itself with regard to the medicare program. Such assurances would prevent a reduction in the national program which ultimately would shift the responsibility back again to the State and local governments.

In regard to the entire income maintenance question, the National Association of Counties' policy is very clear. The opening of our policy statement recognizes our willingness to work with the administration. And we applaud again all of us the efforts that have been made in that direction both by your committee, the administration, and many other Members of Congress.

That statement reads:

> NACo applauds the President's compromise in the federalization of medicaid and his willingness to discuss Federal assumption of optional medicaid services. We recognize the President's good faith effort in this regard and, in the same spirit, we

will continue to work closely with the administration on the question of income maintenance,

Though we are pleased by the willingness to discuss our concerns, the policy passed by our board last month specifically states, and I quote,

> NACo maintains its position that income maintenance programs, such as AFDC and medicaid, should be the sole responsibility of the Federal Government, with resources adequate to meet rising costs.

Counties urge that Congress seriously consider the issues we presented here today and work as you have in the past closely with us in devising the best means to insure income security for all those in need by a government that is responsive and yet has the full fiscal capacity to finance that need. We submit to you that this level is certainly not county government by itself.

We believe Federal financing through some workable mechanism is the only solution. The Federal Government cannot simply and easily sort itself out of an income maintenance role where it responsibly has belonged in the past and will continue to belong in the future.

This concludes our formal remarks, Mr. Chairman. We express our appreciation for the opportunity to appear here this morning. County officials nationwide recognize and applaud your efforts in developing the alternative proposal. As pointed out in our statement, there are many provisions within that alternative with which we agree.

We commend your long and hard efforts to improve our intergovernmental system. We stand ready to fine tune a realistic and appropriate decentralization policy.

My colleagues and I will be happy to answer any questions you may have regarding our statements or the policy recently enacted by our board of directors. We believe that the hearings begun here today to solicit the views of State and local governments are extremely important. Indeed, the policies we discuss here this morning will have tremendous consequence to the ability of government to govern in the future. We encourage you to continue this dialog. I promise the untiring efforts of more than 3,000 county governments who stand ready and willing to work with you and the administration.

I assure you that county officials have faith in our collective effort to develop a policy which insures that the level of government best suited to perform a service is given that responsibility and means to provide the service.

Counties attest, Senators, that only in recognition of such a policy will a workable solution be found.

Thank you.

Senator **DURENBERGER**. Thank you very much.

I regret to inform you that our respective cloakrooms are requesting that Senators come to the floor. It seems appropriate to recess the committee hearing at this point. Given the likelihood that we are being called to hear a statement of resignation from Senator Williams, it may prove appropriate not to ask the three of you to return. If any of us have questions, we will submit them to you in writing.

We will recess for some period of time. The mayor of Knoxville and the junior Senator from Tennessee will return for the balance of this hearing as scheduled. However, I can't predict exactly what time that will be. Let me just express, on behalf of those of us who are here, our appreciation to the counties for a very, very thorough analysis of both the opportunities and some of the problems. We want to work closely with you in resolving those problems.

[A brief recess was taken.]

Senator **Sasser** [presiding]. The committee will come to order.

I want to welcome to the hearinqs today Mayor Randy Tyree of Knoxville, Tenn. And Mayor Tyree, as you know, this is a very unusual day for the U.S. Senate because of some rather extraordinary proceedings that are anticipated to take place today and have been taking place over the past few days.

So I apologize to you for any delay occasioned. Let me just say that Mayor Tyree has done a superb job in his tenure as mayor of Knoxville. He as been one of the guiding forces behind the world's fair, which opens in May 1982 in Knoxville, and already this international world's fair and energy situation is exceeding everyone's expectations.

It is aiding in the economic growth of the Knoxville area with all of its many and varied attractions and it is my firm belief that the success of the world's fair is tied in no small part to the planning and good work that Mayor Randy Tyree has done at the local level to make sure that everything is running smoothly and everything coming together properly as it should.

I might add that Mayor Tyree's work has attracted attention well beyond the borders of Knoxville. He is appearing here today as the president of Tennessee Municipal League to comment on the New Federalism plans of the administration.

His counsel has been widely sought by other mayors in Tennessee and he is, indeed, an effective advocate for the needs of Tennessee cities, both in Nashville, in our State capital, and here in Washington in the Nation's capital.

So it is my privilege to welcone Mayor Tyree here today so that he can offer the Governmental Affairs Committee the views of the Tennessee Municipal League on the New Federalism and I might say for your benefit, Mayor Tyree, that Senator Sam Nunn of Georgia was just by here, eager to hear what you had to say about the New Federalism and then had to rush off to another committee meeting, and others are interested in your views and will examine your testimony, I am sure, carefully, as we take it in the record here.

Mayor Tyree?

TESTIMONY OF RANDY TYREE, MAYOR, KNOXVILLE, TENN., AND PRESIDENT, TENNESSEE MUNICIPAL LEAGUE

Mr. **Tyree**. Senator, thank you, very much. And thank you for referencing the 1981 World's Fair. It's a project we are very excited about in Knoxville.

Senator **Sasser**. I might say, I never miss a chance to plug it, mayor.

Mr. **Tyree.** Good. We are anticipating in excess of 11 million folks to come in and visit. We are on schedule and under budget.

It is my understanding as a matter of senatorial courtesy that you are arranging to get motal and hotel accommodations for the other members of the committee within walking distance of the site.

If that can be communicated to them, perhaps you could get that worked out.

In terms of the New Federalism approach, there are five major assumptions underlying President Reagan's New Federalism.

First is that the Federal Government has grown too large, too costly, and too intrusive, and its operations need to be overhauled and streamlined;

The second is that grassroots governments are best equipped to diagnose and deal with problems and to deliver services.

The third is that the States are willing and able to assume greater responsibility for the administration and financing of needed programs;

The fourth assumption is that State and local officials will have a more cooperative and positive relationship than in the past; and, finally, the appropriate roles of different levels of government can be identified, and functions reassigned, in a reasonably systematic manner.

In February 1981, the Tennessee Municipal League adopted a policy statement endorsing some of the basic principles that the President has now incorporated as assumptions into his New Federalism proposal, specifically: to shift decisions on program priorities from the Federal level to State and local officials; to consolidate categorical aids into shared taxes or block grants; to reduce administrative and overhead costs of Federal programs; to sharply curtail Federal regulatory intrusions; and to provide a transition period for adjusting to intergovernmental revenue and program shifts.

In short, the Tennessee Municipal League finds that it has already endorsed some of the New Federalism proposals but opposes others. Realizing further that an intensive round of negotiations has already begun in an effort to reach a consensus on the final form of New Federalism, we are proposing the following basic principles as a guide:

One, The New Federalism should not be utilized as a Federal budget-cutting device. We believe that President Reagan's original proposal for turning back 44 Federal programs to State and local governments in fiscal year 1984 would not be a fair swap in light of his 1983 budget recommendations.

Specifically, the President wants to cut Federal spending for these 44 programs from the present level of $35.2 billion to only $30.2 billion in fiscal year 1983.

That is a reduction of $5 billion, and if I may draw a Tennessee analogy in terms of horse trading, it is not fair for one fellow to starve his horse before making the actual exchange.

Now the turnback proposal appears to be an effort by the President to do two things:

First, to get the Federal Government out of the grant-in-aid business; and the other is to balance the budget, or reduce the budget deficit, on the backs of the States and local governments.

We believe that Federal funding for local programs should continue indefinitely at a level equal to current Federal aid, with substitution of local for Federal control through Federal shared taxes and block grants without strings attached. No cuts should be made in these programs in the fiscal year 1983 budget.

The second item is that the New Federalism should be characterized by functional logic. Any exchange of programs, functions, and responsibilities between the Federal Government on the one hand and State and local governments on the other should be well thought out.

It doesn't make logical sense for the Federal Government arbitrarily to take over some basic welfare and income maintenance programs but leave others to the States. All poor and needy persons, especially the elderly and young children, should be assured of a minimum benefit level which would not be dependent upon the wealth of a particular State.

This same sorting out of functions between the Federal Government and the States should be accompanied by a similar discussion of the appropriate reassignment of State and local government functions and responsibilities.

Third, New Federalism should recognize and make adjustments for the differences in fiscal capacity among States. The Federal role in providing fiscal assistance to individuals and to State and local governments evolved, in part, because only the National Government is in a position to equalize differences among States.

Tennessee, for example, has a tax-raising capacity of only 81 percent of the national average due to low per capita income. Traditionally, we have benefited from Federal equalizing policies. Our State would be a big loser in any exchange of functions unless our lower fiscal capacity is taken into account.

For instance, Tennessee would lose $135 million on the proposed medicaid for AFDC/food stamps swap. This loss would be offset only temporarily by larger authorized drawdowns from the trust fund. The White House has noted the need for an equalizing formula to hold harmless those 24 States that would lose on the swap, but so far no such formula has materialized.

A fourth item is: Any New Federalism shift of Federal program responsibilities to States and local governments should include a permanent funding mechanism subject to sunset review.

President Reagan has proposed a permanent turnback of Federal programs to the States, but has provided only a temporary trust fund from which to finance those programs. Tennessee municipalities now receive about 16.1 percent of their operating revenues from the Federal Government.

This portion of their budgets would be protected only temporarily by passthrough requirements during the 1984-88 transition period. After 1988, the 44 Federal programs—including general revenue sharing—would cease to exist and there would be no more State-to-local pass-through requirements. Under the administration's present proposal, Tennessee cities and towns would have much of the devolved program responsibilities after 1988, but without any assurance whatsoever of sharing in the revenue sources being turned back to the State of Tennessee.

Under the New Federalism, the funding sources for the programs being turned back should be ones from which the State and local governments could reasonably be expected to derive adequate revenues. President Reagan has proposed a trust fund from which to compensate the State and local governments for the cost of the 44 programs being turned back to them. Sixty percent of that trust fund is made up of Federal taxes on windfall oil profits. Because the windfall oil profits tax is a Federal tax, the revenues derived from it can be shared with all the States.

Once that tax source is relinquished, however, only a handful of oil producing States will be able to tap that source of revenue.

Senator SASSER. We don't have any oil to put a windfall profits tax on.

Mr. TYREE. Indeed, we don't. And that puts us completely out in the cold. When that is phased out, that trust fund, we are going to shoulder the burden of some $700 million in costs throughout the State from those 44 Federal programs.

And even if the State reenacts all the Federal excise taxes as State taxes, assuming they would enact them all, Tennessee could generate approximately $250 million in revenue and, since we are not one of the oil producing States and have no revenue coming from that source, this would leave Tennessee with an enormous gap of $450 million, which would have to be closed either by imposing substantial new State taxes or by making very unconscionable program cuts.

The New Federalism should permanently earmark, we feel, a percentage of the Federal income tax to be returned to States and local governments to fund the 44 turnback programs and to offset State losses from the medicaid-AFDC/food stamps swap.

The Federal excise taxes on telephones, gasoline, liquor, beer, and tobacco, et cetera, proposed to be turned over to the States are regressive taxes with very slow rates of growth. In the 3-year period 1978 to 1981, Federal excise tax collections rose about 5 percent while inflation rose more than 30 percent, and individual income tax collections rose more than 35 percent.

The excise taxes that the President wants to turn over to the States are the poorest possible source of revenue from which to finance needed programs. They are based on a unit of volume instead of price, and do not respond to inflation which drives costs up for governmental operations.

On the other hand, the Federal income tax is the fairest, most elastic, and most progressive tax in the Nation. The Reagan turnback proposal will result in the shifting of the burden of financing the 44 programs.

This means an increased dependency on State and local sales and excise taxes but for local government to try to raise an amount equal to the present Federal aid from regressive State and local taxes, based on the inability to pay, replacing those progressive taxes, based on an ability to pay, is simply not equitable.

Any maintenance of effort requirements under the New Federalism should apply to the Federal Government as well as to the States.

David Stockman, Director of OMB, has been quoted as saying that States would be required to maintain specified benefit levels for AFDC and food stamp recipients after the swap. However, there has been no mention of any required maintenance or hold harmless level for medicaid benefits.

If the Federal Govenment, after the swap, cuts medicaid below existing State levels, there is going to be tremendous pressure placed on the State to restore those benefits by supplementing the Federal payment.

Also, publicly owned hospitals, which usually wind up with the charity patients, will be pushed to assume even more responsibility for indigents. Further, such a tax structure which taxes the poor more, at higher rates, and the rich less, at lower rates, will not produce revenues adequate for the level of services demanded by urban communities.

The permanent earmarking of a percentage of the Federal income tax to pay the State-local cost of turnback programs would be an ideal solution.

Further, representatives of local governments should be involved, as full partners, in discussions at the Federal and State levels about the final form of the New Federalism.

Congress, or the President, should set up a commission comprised of representatives of the national associations of local government officials to advise on the local government aspects of the New Federalism. The National Governors Association, the National Conference of State Legislatures, and other State groups are completely incapable in our opinion of representing local government interests and needs in the vitally important negotiations that will determine the form of the New Federalism. Similarly, local governments should be fully represented on any State board or commission which advises on the administration of, or makes allocations of funds under, the Federal turnback programs. The President has noted in his remarks on the need for the New Federalism that local governments have become the administrative wards of the Federal Government. It will be defeative of the President's purpose if, under his proposals, local governments become instead the wards of State governments. Municipalities and counties form an integral part of the federal system. The same considerations of equity and consultation that the States are receiving should be applied also to local governments.

The very success of the New Federalism hangs upon the willingness of the Federal and State governments to extend to local government, as a partner in a new federal system, broad rights of local self government by citizens and elected officials.

Another point is that any Federal-State transfer of functions or programs under the New Federalism should take into account the local government consequences of that swap.

For example, Tennessee Republican Governor Lamar Alexander has suggested a counterproposal for a swap with the Federal Government. He proposes having a Federal assumption of the majority of State financial obligations under Federal aid programs such as medicaid, AFDC/food stamps, at a cost of $668 million in return for a state-local takeover of Federal aid programs for local governments like education, sewage disposal, community development, economic development, public housing, et cetera.

This counterproposal we feel, if it is accepted, is going to be disastrous for Tennessee local governments. The Governor should avoid trying to buy more Federal dollars for State budget relief by giving away the city and county Federal aid dollars, and I hope Congress will reject this approach when it is presented.

In 1981 city and county governments in Tennessee received 62 percent, or $488 million, of all the general use Federal aid coming into the State.

The final element in our thinking about the New Federalism in that Federal funds allocated for local government programs being turned back to the States should be passed through to municipalities and counties on a formal basis—using the general revenue sharing formula or some other consensus formula.

Local governments are frankly fearful that if the funding sources for the 44 programs being turned back are simply given to the State in the form of some sort of super revenue sharing program, as has been proposed, the local needs will be addressed only after the State has taken care of its own budgetary priorities. This may result in little or no funds for local needs and priorities. Categorical aids to local government, both direct and State-channeled, should be converted to shared taxes distributed on a formula basis among States, and to local governments within States.

Only those programs needed to meet problems above the norm should be retained as block grants or categorical aids. This will return maximum control of programs to the citizens and elected officials of local governments that directly administer public services. An alternative would be to return Federal turnback funds to States based on their record of actual historical use of categorical grants.

In Tennessee, the 335 city and 95 county governments must raise and spend some $5 billion in 1982 to meet their public service responsibilities—the State only $4.25 billion——

Senator SASSER. Repeat that figure, Mayor. $5 billion?

Mr. TYREE. $5 billion, combined, city and county governments. The State's budget is only $4.25 billion and ever that State sum, that includes a billion in State aid spent by those local governments.

So budgetwise, these local governments are greater than State government. They urgently need and deserve full protection.

President Reagan's New Federalism is a highly challenging concept which presents a welcome opportunity to develop creative solutions to very complex public sector problems. As a practical matter, however, his original proposal simply creates more problems than solutions for local governments.

Tennessee municipal officials hope the President will rethink this proposal, in consultation with State and local government officials, in a good-faith effort to eliminate its obvious inequities and to thereby, in the spirit of partnership, to work to build a stronger and more efficient federal system.

That concludes the direct remarks.

If there are any questions, I will be happy to try to respond to them.

Senator **Sasser**. Thank you very much, Mayor Tyree, for your very thoughtful statement on the New Federalism. Let me say that many of the concerns that you have stated are ones that I share and ones that occurred to me when the New Federalism proposals were first introduced.

We did an analysis here on this committee and in my office of the administration's proposals, that is the Reagan administration's proposals, as they would affect Tennesse, and this analysis indicated that our State of Tennessee would lose some $700 million a year in Federal revenues now going to State and local governments under the original New Federalism proposal put forth by the administration.

My guess is, in fact I know this would work a significant hardship on our State which now, I think, ranks 44th in per capita income, and would work a significant hardship, I judge, on your city of Knoxville.

Let me just ask you, if I might, what would be the effect on city services and taxes in your city of Knoxville if such reductions in Federal aid came about as were originally contemplated in the New Federalism proposal.

Mr. **Tyree**. Senator, in a nutshell, we would have to raise taxes and reduce services. There would be no question about it.

Senator **Sasser**. I also want to say that I agree 100 percent with your statement that there needs to be consultation not just with State governments but also consultation with local governments on the concept of New Federalism, what we are going to do about the relationship between Federal Government, State governments and local governments.

Local governments are an integral part of that. And what is good for State government, for example, in our State of Tennessee, is not necessarily good for the city of Memphis. Memphis, Tenn., has problems that are peculiar to that particular municipality, just as there are problems that are peculiar to other municipalities across our State, but perhaps more pronounced in the city of Memphis.

But I couldn't agree with you more that there really needs to be significant input from local governments, and the State governments do not always speak for what is in the best interest of local governments.

Mayor Tyree, one of the principles you alluded to in the position paper of the Tennessee Municipal League on the New Federalism is that New Federalism should not be utilized as a Federal budget-cutting device. Yet, according to data just released yesterday by the National Governors Association, Federal aid to State and local governments nationally will be reduced by about $13 billion between 1981 and 1983. And during that time, major Federal aid programs to State and local governments in Tennessee will have fallen by 21 percent from almost $2 billion in 1981 to a projected $1½ billion in 1983.

Just how receptive are Tennessee local governments and local governments elsewhere going to be to a New Federalism with these projected cuts in Federal aid? Will you tell us for the record whether the State government in Tennessee now even has the ability to come in and make up for Federal aid losses that are projected in 1983 and beyond?

Mr. **Tyree**. Senator, I do not see any way possible. In Tennessee, for example, for the past 2 years there has had to be an impoundment of funds and/or a set-aside of funds toward the end of the fiscal year, toward the end of the budget year, by the State government. And, what has happened, the results have been dramatic reductions in the moneys available to the various State-related service organizations. I see no possible way, with the magnitude of these cuts, in the range of $700 million, based on the economy in Tennessee, both past and present, for us to make them up. It would be rather disastrous.

Senator **Sasser**. Mayor Tyree, I have been asked to propound this question for the record, and it is an important question.

One of the main concerns with the New Federalism is that State and local governments get all of the available Federal aid information that they can in order to evaluate the fiscal impact of New Federalism on State and local governments. In that regard, the Reagan administration recently ordered a termination of the publication of Federal aid data to States, cities, and counties that has been routinely compiled since the mid-1960's.

Senator Riegle, of Michigan, and myself, have asked the GAO for an opinion on this action. In a letter to me yesterday, the GAO has stated that the elimination of this data, Federal aid data to States, cities, and counties, means that we will have a 1- to 3-year gap now in getting fully accurate data about how the New Federalism affects Federal aid going to States, cities, and counties.

I ask unanimous consent that the GAO report be made a part of the committee record.

[The letter referred to follows:]

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

March 10, 1982

B-206675

The Honorable Jim Sasser
United States Senate

Dear Mr. Sasser:

Subject: Maintenance of the Geographic Distribution of Federal Funds (GDFF) Information System

In response to your December 17, 1981, request, we have reviewed the Geographic Distribution of Federal Funds information system and several others in relation to the need for maintaining such information continuously. In doing so, we generally agree with you and your colleagues that a need exists for a comprehensive and quality information system on the geographic distribution of Federal funds. Such a system would assist the Congress, the executive branch, and others in understanding and assessing how congressional budget decisions affect regions, States, and localities. An information base is especially needed today given the rapid changes being proposed in Federal budget policies and the associated redefinition of the Federal-State role in conducting programmatic activities. An information base similar to the GDFF would help policymakers and legislators at all levels of Government in assessing the effects of funding shifts between and among Federal program areas.

Consistent with this view, we have developed two legislative alternatives for your consideration in addressing the maintenance of a GDFF type information base, see enclosures I and II. The legislative proposals address and delineate roles and responsibilities of the General Accounting Office (GAO) and the executive branch in maintaining an information base. Additionally, the alternatives address some procedural and standards development and audit activities necessary to improve the quality of data captured by the information base.

Notwithstanding the legislative alternative pursued, personnel and data processing resources will be required to successfully perform the requisite functions associated with the maintenance of this type of information base. Under legislative alternative I, in which the GAO is assigned the primary responsibility for operating the system, we estimate the first 3 years' cost to be $2.5 million. In each of the first two years the estimated costs would be $800,000 and in the third year costs would rise to $900,000. Under alternative II, in which the executive branch is assigned the lead responsibility for system operations and GAO an oversight and audit role, we estimate that for the same 3 year period costs would total $2.55 million. In this case, costs total $750,000, $850,000 and $950,000 in the first, second, and third year respectively. A more detailed breakdown of these cost estimates is included in Enclosure III.

ELIMINATION OF THE GDFF INFORMATION SYSTEM

To date, the GDFF had been the only fully operational system that attempted to capture and report obligations of all Government administered funds at the local level. It reported data from approximately 32 Federal agencies, including the Departments of Defense and State and the Agency for International Development, on the following programmatic and administrative areas: (1) domestic financial assistance, (2) procurement activities, and (3) salary and expense payments to Federal employees. Given this system's scope and coverage, notwithstanding some of its known imperfections in data coverage and accuracy, it had been used as a significant resource for several years in assessing the regional impact of Federal spending. **The elimination of the GDFF information system as directed by OMB in December 1981 has created a short-term gap (1 to 3 years) in the availability of these data. As a result, not only are these data currently not available for analytical purposes, but the effect of Federal spending over time can no longer be assessed (trends).**

Currently, the executive branch operates and maintains two information sources that are similar to the GDFF. Additionally, it is in the process of implementing a third source which when fully operational will capture and report a significant amount of the budgetary data previously reported by the GDFF. Although these sources are more likely to report a more accurate and complete set of data in their specific areas, neither of the two operational sources nor the one being implemented will be capable of depicting a global view of Federal expenditure activities as did the GDFF. These other sources are highlighted below.

--The Federal Procurement Data System (FPDS) is fully operational and it assembles, organizes, and reports contract data from all Federal agencies and commissions. Agencies' contract and procurement divisions report procurement data on each transaction over $10,000 and summary data for contract actions less than $10,000. Each transaction is reported by zip code, county, city, State, territory and by principal place of performance.

--The Federal Aid to States (FAS), which is an annual Department of Treasury publication, captures outlays for grants-in-aid to State and local governments. However, it reports data at the State level only. Being grants-in-aid oriented, this publication does not capture and report Federal obligations or expenditures for loan programs, procurement activities, Federal salaries and administrative expenses, and several major agencies including the Department of State, the Agency for International Development and significant portions of the Department of Defense.

--The Federal Assistance Awards Data System (FAADS) is a Federal domestic assistance oriented data system. It is currently in the implementation stage. It is estimated to be fully operational sometime during calendar year 1983. When fully operational, it will report Federal obligation data quarterly at the local recipient level. Because the system is "domestic assistance oriented," it was not designed to capture related Federal obligations or expenditures, such as salaries and expenses of Federal employees, Federal procurement activities, and significant portions of the Department of Defense.

In viewing these other data sources singularly, none approximate the scope and coverage of the GDFF. However, from a collective view the potential exists for approximating the scope and coverage of the GDFF. Specifically, when FAADS is fully operational and used in conjunction with the FPDS, essentially the same data set can be captured and reported as was that by GDFF, except salary and expense payments to Federal employees and portions of the Department of Defense.

Table 1 depicts the areas of source coverage and the approximate dollar level of Federal funds for fiscal year 1980.

Table 1

Areas of Coverage by Source and Approximate FY 1980 Dollar Value

Source	Grants, Loans, other Assistance	Procurement	Federal Salaries and Expenses	Dollar Level (billions)
GDFF	Yes	Yes	Yes	$528a/
FPDS	No	Yes	No	110
FAS	Limited	No	No	96
FAADS	Yes	No	No	377b/

a/Dollar value and areas of coverage for FAADS, FPDS, and FAS are reflected in the GDFF, along with Federal salary and expense obligations.

b/Assumes FAADS was fully operational in FY 1980.

A significant disparity can be seen between the GDFF and any of the others. A smaller difference would exist between the dollar value of GDFF and the collective dollar value of the FAADS and FPDS. Given these differences, the status of the FAADS system, and the absence of GDFF, the Congress, the executive branch, and others will lose some ability in assessing the economic effect of congressional budgetary decisions in regions, States, and localities over the next few years.

OVERLAP AMONG THE SEVERAL DATA SYSTEMS

If the executive branch were to continue operating the GDFF in addition to FAADS, FPDS, and FAS, a high degree of overlap and redundancy would exist. The following examples illustrate this potential overlap:

--Both the GDFF and FAADS systems capture budgetary data on all domestic assistance programs at the local level.

--The GDFF and FPDS systems both capture and report Federal procurement activities at the local level.

--The GDFF and FAS both report budget data on Federal grants-in-aid programs to State and local governments, although the GDFF captured and reported budget data in more detail.

--FAADS captures and reports data on all domestic assistance oriented activities, which includes grants-in-aid programs data published in the FAS.

Clearly, a significant amount of unnecessary overlap and duplication would exist among these data sources. In the current budget environment, it is imperative that we get the most out of every dollar invested in capturing and reporting information. Accordingly, opportunities should be explored to maintain comprehensive and quality budget information by program area at the local level. At the same time, unnecessary redundancy in data collecting, processing, and reporting should be eliminated.

MAINTAINING THE GDFF INFORMATION SYSTEM

As indicated earlier, the elimination of the GDFF has created a short-term gap in the availability of Federal expenditure data at the local level. Accordingly, it should have been maintained at least until other executive systems are (1) fully operational, (2) integrated, and (3) approximate the current scope and coverage of the GDFF. Maintaining this system would insure the ability of the Congress, as well as others, to assess the economic effect of Federal budget decisions at the local level. During the maintenance period, the executive branch should explore alternatives for phasing out undesirable redundancy in data gathering and reporting activities. In doing so, it should remain sensitive to the continuous information needs of the Congress.

LONGER TERM CONSIDERATIONS

To insure the continuous collecting, processing, and reporting of geographic distribution of Federal funds systematically and comprehensively, we have developed two legislative alternatives. Both alternatives recognize the critical need for improving the quality and consistency of the type of budgetary data captured and maintained. Accordingly, they both delineate the promulgation of procedures and standards for data collection and verification. Additionally, both alternatives recognize the need to insure adherence to standards. In general, the legislative alternatives are

--Legislative Alternative I--The primary responsibility for maintaining and operating the geographic distribution of Federal funds information base would be assigned to GAO. The GAO would be responsible for performing all functions associated with developing, implementing, updating, and maintaining the information system. The executive branch would only be required to collect and report data to the GAO in accordance with prescribed standards, guidelines, and procedures.

--Legislative Alternative II--This alternative would direct the GAO to promulgate data collection procedures, guidelines, and standards. Also, the GAO would monitor and conduct periodic audits of the adherence to these standards. On the other hand, the executive branch would be charged with carrying out and performing all operational activities associated with maintaining the geographic distribution of Federal funds information base. These operational activities would include, but would not be limited to (1) collecting, reviewing, validating, and processing input data; (2) updating and maintaining the information systems; and (3) generating required outputs for users, including the regional data analysis centers.

If either of these alternatives is to be pursued, we strongly recommend that it be alternative II. That approach would create the opportunity to consolidate, streamline, and reduce undesirable overlap and duplication among existing systems. There are other reasons for preferring alternative II (1) executive agency program managers possess the knowledge and awareness of program activities, (2) data collection would be closer to the source in which programs are operated, and (3) computer facilities are in place. I would find it very difficult to support alternative I.

This information has been forwarded to the Honorable Donald W. Riegle.

Sincerely yours,

Charles A. Bowsher

Comptroller General
of the United States

Enclosures-3

LEGISLATIVE ALTERNATIVE I - MAINTENANCE OF GEOGRAPHIC DISTRIBUTION OF FEDERAL FUNDS INFORMATION SYSTEM

(a) Section 203 of the Legislative Reorganization Act of 1970, as amended (31 U.S.C. 1153), is further amended by adding the following new subsection:

"(e)(1) Information on the geographic distribution of Federal funds for each fiscal year by State, county and city shall be collected, compiled, distributed and analyzed in accordance with this subsection. For purposes of this subsection, Federal funds includes grants, contracts, direct loans, guarantee or insurance of loans, donation of commodities and surplus real and personal property, and Federal personnel salaries and related costs, by any Federal agency.

"(2) The Comptroller General of the United States shall have the following functions and responsibilities:

"(A) He shall promulgate standards for the collection and reporting of information by Federal agencies. Such standards may include (i) definitions of the types of Federal funding to be reported (consistent with paragraph (1) of this subsection) and the form and manner in which it shall be reported; (ii) definitions of cities or other entities of local government for which funds shall be reported (including the establishment of thresholds for coverage by population or other criteria); and (iii) such other requirements and procedures as the Comptroller General deems appropriate to carry out the purposes of this subsection. No standard shall be effective until 30 calendar days following the day on which it is transmitted in final form to the Congress.

"(B) He shall receive reports of Federal funds from Federal agencies; review such reports and validate the agencies' reporting processes by such means as he deems appropriate; maintain and update the information system on geographic distribution of Federal funds; and compile and generate reports for users of the system, including the regional data analysis centers established pursuant to paragraph (5) of this subsection.

"(C) He shall monitor and review, in such manner and at such times as he deems appropriate, compliance by Federal agencies with the requirements of this subsection and the implementing standards.

"(3) There is authorized to be appropriated to the Comptroller General to carry out his functions under this subsection not to exceed $500,000, $450,000 and $500,00, respectively, for the fiscal years commencing on October 1, 1983, 1984 and 1985. The Comptroller General is authorized to enter into such contracts or other arrangements with any persons, Federal agencies or other entities as he deems appropriate to carry out the purposes of this subsection.

"(4) Each Federal agency shall comply with the Comptroller General's standards and shall submit to the Comptroller General reports and other information, at such times and in such manner, as he may require of them.

"(5) The President shall designate a Federal agency to establish and operate, by contract or otherwise, five regional data analysis centers. The centers shall provide public policy analyses of information on the geographic distribution of Federal funds for use by State and local governments, committees and Members of Congress, and other interested persons. The head of the designated Federal agency shall consult with the Comptroller General with respect to the establishment and operation of the centers. There is authorized to be appropriated to the designated Federal agency for operation of the centers not to exceed $300,000, $350, 000 and $400,000, respectively, for the fiscal years commencing on October 1, 1983, 1984 and 1985."

(b) The provisions of this subsection shall become effective upon their enactment, with the information system on the geographic distribution of Federal funds to be fully operational for the fiscal year commencing on October 1, 1984.

LEGISLATIVE ALTERNATIVE II - MAINTENANCE OF GEOGRAPHIC DISTRIBUTION OF FEDERAL FUNDS INFORMATION SYSTEM

(a) Section 203 of the Legislative Reorganization Act of 1970, as amended (31 U.S.C. 1153), is further amended by adding the following new subsection:

"(e)(1) Information on the geographic distribution of Federal funds for each fiscal year by State, county and city shall be collected, compiled, distributed and analyzed in accordance with this subsection. For purposes of this subsection, Federal funds includes grants, contracts, direct loans, guarantee or insurance of loans, donation of commodities and surplus real and personal property, and Federal personnel salaries and related costs, by any Federal agency.

"(2) The Comptroller General of the United States shall promulgate standards for the collection and reporting of information by Federal agencies. Such standards may include (i) definitions of the types of Federal funding to be reported (consistent with paragraph (1) of this subsection) and the form and manner in which it shall be reported; (ii) definitions of cities or other entities of local government for which funds shall be reported (including the establishment of thresholds for coverage by population or other criteria); and (iii) such other requirements and procedures as the Comptroller General deems appropriate to carry out the purposes of this subsection. No standard shall be effective until 30 calendar days following the day on which it is transmitted in final form to the Congress. The Comptroller General shall also monitor and review, in such manner and at such times as he deems appropriate, compliance by Federal agencies with the requirements of this subsection and the implementing standards. There is authorized to be appropriated to the Comptroller General to carry out his functions under this paragraph not to exceed $90,000, $70,000 and $80,000, respectively, for the fiscal years commencing on October 1, 1983, 1984 and 1985.

"(3) The President shall designate a Federal agency to receive reports of Federal funds from Federal agencies; to review such reports and validate the agencies' reporting processes by appropriate means; to maintain and update the information system on geographic distribution of Federal funds; and to compile and generate reports for users of the system, including the regional data analysis centers established pursuant to paragraph (4) of this subsection. The designated agency shall comply with the Comptroller General's standards, as applicable, in carrying out its functions under this paragraph. Each Federal agency shall submit to the designated agency, in accordance with the Comptroller General's standards, reports and other information, at such times and in such manner, as the designated agency may require of them. There is authorized to be appropriated to the designated agency to carry out its functions under this paragraph not to exceed $300,000, $350,000 and $400,000, respectively, for the fiscal years commencing on October 1, 1983, 1984 and 1985.

"(4) The President shall also designate the same agency as is designated under paragraph (3) or another Federal agency to establish and operate, by contract or otherwise, five regional data analysis centers. The centers shall provide public policy analyses of information on the geographic distribution of Federal funds for use by State and local governments, committees and Members of Congress, and other interested persons. There is authorized to be appropriated to the designated Federal agency for operation of the centers not to exceed $360,000, $430,000 and $470,000, respectively, for the fiscal years commencing on October 1, 1983, 1984 and 1985."

(b) The provisions of this subsection shall become effective upon their enactment, with the information system on the geographic distribution of Federal funds to be fully operational for the fiscal year commencing on October 1, 1984.

PROJECTED COST BY LEGISLATIVE ALTERNATIVE

	Alternative I			Alternative II		
Cost Category	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
GAO staff	$313,000	$216,000	$248,000	$ 93,900	$ 72,000	$ 82,800
Executive agency staff	-0-	-0-	-0-	165,000	187,750	216,200
Data processing and printing	200,000	230,000	265,500	200,000	230,000	265,500
Regional data centers	300,000	345,000	396,750	300,000	345,000	396,750
Totala/	$813,000	$791,000	$910,250	$758,900	$834,750	$961,250

a/Total cost for each year represents a midpoint estimate which could vary by approximately plus or minus $50,000.

Pertinent Projections and Assumptions:

1) GAO staff day requirements are projected as follows: Alternative I (Tasks: promulgate procedures, guidelines, and standards; review and validate input data; update and maintain information system; and generate required outputs) - year 1, 1,000; years 2 and 3, 600 each; and Alternative II (Tasks: promulgate procedures, guidelines, and standards; and monitor and audit executive agencies adherence to data collection and reporting standards) - year 1, 300; and years 2 and 3, 200 each.

2) Executive branch staff day requirements are projected as follows: Alternative I - none, and Alternative II (Tasks: collect, review, validate, and process input data; update and maintain information system; and generate required outputs) - years 1 through 3, 600 each.

3) First year data processing and printing costs will be approximate $200,000.

4) Each regional data center will be awarded a $60,000 grant.

5) All dollar costs are assumed to increase by 15 percent each year.

Senator SASSER. My question to you, Mayor, is can we really expect State, city, and county governments to embrace the New Federalism if they do not even have the Federal aid data that they need to evaluate how the New Federalism affects them?

How can you get sufficient information about how the New Federalism is going to affect Knoxville, for example? What we are saying is with the termination of this routine publication of Federal aid data, there is going to be up to a 3-year lapse now to even determine how the New Federalism is going to affect State and local governments. Do you know how you can get sufficient information about how the New Federalism is going to affect Knoxville?

Mr. TYREE. Senator, I don't. I spent a few years in law enforcement work and I remember one of the standard expressions in that field: You are only going to be as good an officer as the information you are able to receive.

I think it gets back to the very basic thing. Those 24 States, for example, that from a fiscal capability standpoint would be on the lower end of the spectrum, they would be placed at a tremendous disadvantage simply because they have nothing to work with, and even those States that are better off and in the higher echelon, I can't imagine them blindly going through a process of accepting any kind of different proposal without it being based on realistic, informative, and accurate data.

Senator SASSER. Finally, one last question, Mayor.

The Reagan administration has proposed in the New Federalism that the general revenue-sharing program be included in the programs turned back to State and local governments and that this Federal aid program be phased out by 1991.

How do you feel about the general revenue-sharing phaseout in light of the almost unanimous support that we have heard in times past from local officials for this no-strings-attached Federal aid program?

How do Tennessee mayors feel about phasing out of general revenue sharing?

Mr. TYREE. Senator, they obviously would not want to phase it out. I think there is an attitude prevalant, though, among mayors that they are not taking necessarily the position of saying, let's absolutely preserve revenue sharing, but they are saying, don't take it away without an appropriate structure for substitution in some fashion.

You might call them whatever you want to, but there are two good things about revenue sharing, as far as local communities are concerned.

One is that it comes directly down to the local governments. There is no passthrough, no involvement on the part of the State governments, and the other is that the availability of those funds and the freedom to use them with no strings attached provides the desired flexibility, and we, in Knoxville, and I think many other cities throughout the State, have utilized many of these funds for educational systems.

To remove those without some effective means of a similar kind of replacement, I don't think—I would say there would be absolutely no support for that.

Senator SASSER. Good.

Let me express my appreciation to you for coming here today and presenting the views of the Tennessee Municipal League relative to the New Federalism.

Your views have been very illuminating to me and I suspect will be to the rest of the committee.

Thank you, very much.

Mr. TYREE. Senator, thank you, and on behalf of the Tennessee Municipal League, we want to say thank you, because you have been a friend of the local governments in Tennessee, and you have stood with us, and we appreciate that very much.

And thank you for this opportunity.

[The prepared statement of Mr. Tyree follows:]

PREPARED STATEMENT OF RANDY TYREE

TENNESSEE MUNICIPAL LEAGUE

March 9, 1982

TEN PRINCIPLES FOR A NEW FEDERALISM REVISING PROPOSALS BY PRESIDENT REAGAN

(See Attached Analysis)

SUMMARY. A sound New Federalism should:

(1) Turn back control to state or local governments actually administering public service programs.

(2) Earmark a percentage of the federal income tax permanently, subject to "sunset" review in ten to fifteen years, for distribution to state and local governments, on a fair formula, at present (1972) levels of federal aid.

(3) Officials of local government, through their National and State Associations, should be consulted on New Federalism by the President and Congress, and the State Governors and legislators.

TEN PRINCIPLES OF SOUND NEW FEDERALISM.

1. The President's New Federalism proposal should eliminate using it as a device to cut the budget for the 44 programs, to be shifted to state-local governments, by $5 billion from 35.2 billion in 1982 to $30.2 million in 1983.

2. The exchange of programs among the federal, state and local governments should be characterized by functional logic.

3. Federal fiscal assistance should continue to equalize in part the higher and lower tax raising capacity of the 50 states; Tennessee has only 81 percent of the tax capacity of the average state due to low per capita income.

4. Any shift of federal program financing to state-local governments should include a permanent earmarking, subject to "Sunset" review, of a percentage of the federal income tax instead of a temporary trust fund from federal excise and oil taxes.

5. The President's revenue package to compensate state-local governments for the cost of 44 turnback programs is derived 60 percent from the oil profits tax, and 40 percent from excises, and will produce only $250 million annually in Tennessee, and leave the state with a $450 million gap.

6. The President's plan to derive 40 percent of the temporary trust fund and eventual turnback taxes to fund state-local obligations is unacceptable because the federal excise taxes on alcohol, cigarettes, gasoline, etc. are capped on a per unit basis and do not reflect price increases and inflation; from 1978-81, the federal excise taxes rose only 5 percent while the income tax rose 35 percent and inflation 30 percent.

7. Any maintenance of effort under the New Federalism should apply to the federal government as well as the states.

8. City and county governments, through their national and state associations, should be full partners in discussions at the federal and state levels about the local impact of New Federalism.

9. The states should not swap off state financial obligations to the federal government (medicaid, transportation, food stamps, AFDC, etc.-- at an annual state saving of some $768 million) by swapping a give-a-way of federal aid for city-county programs amounting to $488 million in 1981.

10. New Federalism should provide that federal funds for city-county programs turned back to the states should be passed through to local units on a formula basis--either a modified general revenue sharing formula, or other concensus formula.

TEN PRINCIPLES FOR A NEW FEDERALISM

Background Analysis

Tennessee Municipal League   March 9, 1982

Summary of TML Recommendations. The President's New Federalism proposal should be revised not only to turn back control to state and local governments actually administering public service programs, but to earmark a percentage of the federal income tax permanently, subject to sunset review for distribution to state and local governments, on a fair formula, at present levels of federal aid. Officials of local government, through their state and national associations, should be consulted on New Federalism by the President and Congress, and the States.

There are five major assumptions underlying President Reagan's New Federalism:

(1) The federal government has grown too large, too costly, and too intrusive, and its operations need to be overhauled and streamlined;

(2) "Grass roots" governments are best equipped to diagnose and deal with problems;

(3) The states are willing and able to assume greater responsibility for the administration and financing of needed programs;

(4) State and local officials will have a more cooperative and positive relationship than in the past; and

(5) The appropriate roles of different levels of government can be identified, and functions reassigned, in a reasonably systematic manner.

In February 1981, TML adopted a policy statement endorsing some of the basic principles that the President has now incorporated as assumptions into his New Federalism proposal: shifting decisions on program priorities from the federal level to state and local officials; consolidating categorical aids into shared taxes or block grants; reducing administrative and overhead costs of federal programs; sharply curtailing federal regulatory intrusions; and providing a transition period for adjusting to intergovernmental revenue and program shifts.

In short, the Tennessee Municipal League finds that it has already endorsed some of the New Federalism proposals but opposes others. Realizing further that an intensive round of negotiations has already begun in an effort to reach a consensus on the final form of New Federalism, TML proposes the following basic principles as a guide.

1. The New Federalism should not be utilized as a federal budget-cutting device. We believe that President Reagan's original proposal for turning back 44 federal programs to state and local governments in FY '84 would not be a fair swap in light of his 1983 budget recommendations. Specifically, the President wants to cut federal spending for these 44 programs from the present level of $35.2 billion to only $30.2 billion in FY '83 -- a reduction of $5 billion. When horse trading, it is not fair for one fellow to starve his horse before making the actual exchange. The turnback proposal appears to be an effort by the President to do two things: (a) Get the federal government out of the grant-in-aid business; and (b) Balance the budget, or reduce the budget deficit, on the backs of the states and local governments. We believe that federal funding for local programs should continue indefinitely at a level equal to current federal aid, with substitution of local for federal control through federal shared taxes and block grants without strings. No cuts should be made in these programs in the FY '83 budget.

2. The New Federalism should be characterized by functional logic. Any exchange of programs, functions, and responsibilities between the federal government on one hand and state and local governments on the other should be well thought out. It doesn't make logical sense for the federal government arbitrarily to take over some basic welfare and income maintenance programs but leave others to the states. All poor and

2. Continued...

needy persons, especially the elderly and young children, should be assured of a minimum benefit level which would not be dependent upon the wealth of the state. This same sorting out of functions between the federal government and the states should be accompanied by a similar discussion of the appropriate reassignment of state and local government functions and responsibilities.

3. The New Federalism should recognize and make adjustments for the differences in fiscal capacity among states. The federal role in providing fiscal assistance to individuals and the state and local governments evolved, in part, because only the national government is in a position to equalize differences among states. Tennessee, which has a tax raising capacity of only 81 percent of the national average due to low per capita income, has traditionally benefited from federal equalizing policies. Our state would be a big loser in any exchange of functions unless our lower fiscal capacity is taken into account. For instance, Tennessee would lose $135 million on the proposed Medicaid for AFDC/Food Stamps swap. This loss would be offset only temporarily by larger authorized drawdowns from the trust fund. The White House has noted the need for an equalizing formula to hold harmless the 24 states that would lose on the swap, but so far no such formula has been forthcoming.

4. Any New Federalism shift of federal program responsibilities to states and local governments should include a permanent funding mechanism subject to sunset review. President Reagan has proposed a permanent turnback of federal programs to the states, but has provided only a temporary trust fund from which to finance those programs. Tennessee municipalities now receive about 16.1 percent of their operating revenues from the federal government. This portion of their budgets would be protected only temporarily by pass-through requirements during the 1984-88 transition period. After 1988, the 44 federal programs (including general revenue sharing) would cease to exist and there would be no more state-to-local pass-through requirements. Under the Administration's present proposal, Tennessee cities and towns would have much of the devolved program responsibilities after 1988, but without any assurance whatsoever of sharing in the revenue sources being turned back to the state.

5. Under the New Federalism, the funding sources for the programs being turned back should be ones from which the state and local governments could reasonably be expected to derive adequate revenues. President Reagan has proposed a trust fund from which to compensate the state and local governments for the cost of the 44 programs being turned back to them. Sixty percent of that trust fund is made up of federal taxes on windfall oil profits. Because the windfall oil profits tax is a federal tax, the revenues derived from it can be shared with all the states. Once that tax source is relinquished, however, only a handful of oil producing states will be able to tap that source of revenue. When the trust fund phases out in 1988, Tennessee will shoulder the burden of some $700 million in costs for the 44 federal programs. If the state reenacts all the federal excise taxes as state taxes at the present rate, Tennessee could generate approximately $250 million in revenues. Not being one of the major oil producing states, we could generate no revenues from windfall oil profits. This would leave Tennessee with an enormous gap of $450 million which would have to be closed by imposing substantial new state taxes or by making unconscionable program cuts.

6. The New Federalism should permanently earmark a percentage of the federal income tax to be returned to states and local governments to fund the 44 turnback programs and to offset state losses from the Medicaid-AFDC/Food Stamps swap. The federal excise taxes on telephones, gasoline, liquor, beer, and tobacco proposed to be turned over to the states are regressive taxes with very slow rates of growth. In the three-year period 1978 to 1981, federal excise tax collections rose about 5% while inflation rose more than 30%, and individual income tax collections rose more than 35%. The excise taxes that the President wants to turn over

6. Continued...

to the states are the poorest possible source of revenue from which to finance needed programs. They are based on a unit of volume instead of price, and do not respond to inflation which drives costs up for governmental operations. On the other hand, the federal income tax is the fairest, most elastic, and most progressive tax in the nation. The Reagan turnback proposal will result in the shifting of the burden of financing the 44 devolved programs from the high-yield and regressive state and local taxes. In Tennessee this means an increased dependency upon state and local sales and excise taxes and local property taxes. For local governments, trying to raise an amount equal to present federal aid from regressive state and local taxes, based on inability to pay, replacing progressive taxes, based on ability to pay, is totally inequitable.

7. Any maintenance of effort requirements under the New Federalism should apply to the federal government as well as to the states. David Stockman, Director of OMB, has been quoted as saying that states would be required to maintain specified benefit levels for AFDC and Food Stamp recipients after the swap. However, there has been no mention of any required maintenance or hold harmless level for Medicaid benefits. If the federal government, after the swap, cuts Medicaid below existing state levels, there will be tremendous pressure placed on the state to restore those benefits by supplementing the federal payment. Also, publicly-owned hospitals, which usually wind up with the charity patients, will be pushed to assume even more responsibility for indigients. Further, such a tax structure which taxes the poor more, at higher rates, and the rich less, at lower rates, will not produce revenues adequate for the level of services demanded by urban communities. The permanent earmarking of a percentage of the federal income tax to pay the state-local cost of turnback programs would be an ideal solution.

8. Representatives of local governments should be involved, as full partners, in discussions at the federal and state levels about the final form of the New Federalism. Congress, or the President, should set up a commission comprised of representatives of the national associations of local government officials to advise on the local governments aspects of the New Federalism. The National Governors Association, the National Conference of State Legislatures, and other state groups are completely incapable of representing local government interests and needs in the vitally important negotiations that will determine the form of the New Federalism. Similarly, local governments should be fully represented on any state board or commission which advises on the administration of, or makes allocations of funds under, the federal turnback programs. The President has noted in his remarks on the need for the New Federalism that local governments have become the administrative wards of the federal government. It will be defeative of the President's purpose if, under his proposals, local governments become instead the wards of state governments. Municipalities and counties form an integral part of the federal system. The same considerations of equity and consultation that the states are receiving should be applied also to local governments. The very success of the New Federalism hangs upon the willingness of the federal and state governments to extend to local government, as a partner in a new federal system, broad rights of local self government by citizens and elected leaders.

9. Any federal-state transfer of functions or programs under the New Federalism should take into account the local government consequences of that swap. Governor Alexander has suggested a counter-proposal for a swap with the federal government. He would swap federal assumption of the major state financial obligations under federal aid programs (Medicaid, AFDC, and Food Stamps -- at a cost of $668 million) in return for a state-local takeover of federal aid programs for local governments (education, sewage disposal, community development and facilities, economic development, public housing, general revenue sharing, etc.). This counter-proposal, if accepted, could be potentially disastrous for Tennessee local governments. The Governor should avoid trying to buy more federal dollars for state budget relief by giving away city and county federal aid dollars. See the attached table which shows that city and county governments received 62% or $488.4 million of general use federal aid in 1981.

10. Under the New Federlism, federal funds allocated for local government programs being turned back to the state should be passed through to municipalities and counties on a formula basis, utilizing a modified version of the general revenue sharing formula, or some other consensus formula. Local governments are fearful that if funding sources for the 44 programs being turned back are simply given to the state in the form of "super revenue sharing", as proposed, local needs will be addressed only after the state has taken care of its own budgetary priorities. This may result in little or no funding for local needs and priorities. Categorical aids to local government, both direct and state channeled, should be converted to shared taxes distributed on a formula basis among states, and to local governments within states. Only those programs needed to meet problems above the norm should be retained as block grants or categorical aids. This will return maximum control to the citizens and elected officials of local governments that directly administer public services. An alternative would be to return federal turnback funds to states based on their record of actual historical use of categorical grants. In Tennessee, the 335 city and 95 county governments must raise and spend some $5 billion in 1982 to meet their public service responsibilities -- the state only $4.25 billion, and this state sum includes some $1 billion in state aid spent by local governments. Budgetwise, these local governments are greater than state government. They urgently need and deserve full protection!

President Reagan's New Federalism is a highly challenging concept which presents a welcome opportunity to develop creative solutions to very complex public sector problems. As a practical matter, however, his original proposal simply creates more problems than solutions for local governments. Tennessee municipal officials hope the President will rethink this proposal, in consultation with state and local government officials, in a good faith effort to eliminate its obvious inequities and to thereby, in the spirit of partnership, work to build a stronger and more efficient federal system.

TENNESSEE ALLOCATIONS FOR STATE AND CITY/COUNTY FEDERAL AID

Fiscal Year 1981 (In Thousands)

FEDERAL AID STATE	CITY/COUNTY FED AID DIRECT	CITY/COUNTY FED AID STATE CHANNELED	TOTAL FED AID STATE LOCAL	NEW FEDERALISM: PROGRAMS FOR TURNBACK TO THE STATES, CITIES/COUNTIES
$21,459	$	$	$21,459	Rehabilitation Services
19,872		14,599	34,371	Vocational & Adult Education
7,863			7,863	State Block Grant (ECIA Chapter 2)
36,000	18,000	18,000	72 021	CETA
3,468			3 468	WIN
25,560			25,560	Low Income Home Energy Assistance
0-			0-	Emergency Assistance
		96,026	96,026	Child Nutrition
4,241			4,241	Child Welfare
2,547			2,547	Foster Care
199			199	Runaway Youth
156			156	Child Abuse
28,369		15,000	43,369	Social Services Block Grant
7,108			7 108	Legal Services
7,744			7,744	Community Services Block Grant (Community Action Agencies)
1,522			1,522	Prevention Block Grant (Predecessor Programs)
7,499			7,499	Alcohol, Drug & Mental Health
9,400			9,400	Primary Care Block Grant (Primary Care Health Centers)
7,805			7,805	Maternal & Child Health
-0-			-0-	Primary Care Research & Development
421			421	Black Lung Clinics
-0-			-0-	Migrant Health Clinics
4,679			4,679	Family Planning
27,890			27,890	Women, Infants, & Children (WIC)
	8,892		8,892	Grants In-Aid For Airports
32,961			32,961	Primary Highway System
		10,566	10,566	Rural & Small Urban Transportation
		10,619	10,619	Urbanized Area Transportation
9,929		5,346	15,275	Bridges
6,600		2,200	10,623	Construction Safety
4,048			4,048	Other Highways

Page two

FEDERAL AID STATE	CITY/COUNTY FED. AID DIRECT	STATE CHANNELED	TOTAL FED. AID STATE LOCAL	NEW FEDERALISM PROGRAMS FOR TURNBACK TO THE STATES, CITIES/COUNTIES
$ 2,222	$	$ 1,000	$ 3,222	State & Community Highway Safety
528			528	Highway Related Safety Grants
			-0-	Interstate Transfers - Highways
22,218			22,218	Appalachian Highways
	26,664		26,664	Urban Mass Transit
	27,357		27,357	Rural Water and Waste Disposal Grants
	26,940		26,940	Water & Sewer Facility Loans
	8,999		8,999	Community Facility Loans
	62,013		62,013	Community Development Block Grant
	7,224		7,224	Urban Development Action Grants
	42,092		42,092	Waste Water Treatment Grants
1,069			1,069	OSHA State Grants (Operational Grants)
	86,841		86,841	General Revenue Sharing (Local Grants)
$303,375	$315,041	$173,356	$792,340	

TOTAL CITY/COUNTY AID $488,397

Percentage of Total. State 38% Local 62%

* Estimate

Senator **Sasser**. Thank you.

The hearing is adjourned.

[Whereupon at 12:22 p.m., the hearing recessed, to reconvene at the call of the Chair.]

PRESIDENT'S FEDERALISM INITIATIVE

TUESDAY, MARCH 16, 1982

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The committee met, at 10:05 a.m., in room 3302, Dirksen Senate Office Building, Hon. William V. Roth, Jr. (chairman of the committee) presiding.

Present: Senators Roth, Danforth, Cohen, and Mattingly.

OPENING STATEMENT OF SENATOR ROTH

Chairman ROTH. The committee will be in order.

Today we are beginning the third in our series of hearings on the President's Federalism initiatives.

We are pleased to have a very distinguished group of experts who have studied the Federalism issue from various perspectives; certainly the research and opinions of organizations such as will appear here today will be important to this committee in its review of the President's Federalism initiatives.

We welcome each of you here today. I will, in the interest of time, ask that my statement be included as if read.

[The prepared statement of Senator Roth follows:]

PREPARED STATEMENT OF SENATOR WILLIAM V. ROTH, JR.

The committee begins today the third in its series of hearings on the President's Federalism initiatives. We will hear today from a distinguished group of experts who have studied the Federal system from various perspectives. The research and opinions of organizations such as yours will be very important to the committee in its review of the President's Federalism initiatives and we welcome you here today.

There are many aspects of the President's proposal which need to be carefully reviewed by the committee and there is no doubt that in the give and take of negotiation on the Federalism issue, changes and compromises will be made. However, I want to reiterate here today that this is no time to be timid and make only half-hearted attempts to revitalize our Federal system of government. You can't leap a chasm in two jumps and we can't improve and reform our system by nibbling at the corners of the problem. Moreover, as Governor Busbee from Georgia has suggested, if we do not reach a consensus on a New Federalism, the American people may demand a constitutional convention. Therefore, we had better seriously analyze the President's proposal or the window of opportunity we now have may be closed for a long time.

The committee's purpose in this series of Federalism hearings is to lay the groundwork for future committee action on Federalism. We need to address many aspects of the issue and there are several points in particular I believe need careful attention. Is the fiscal capacity of the States adequate to handle the new responsibilities they will be asked to assume? What are the criteria we should use to determine which functions and programs to transfer to which level of government? How do we insure that those benefitting from social programs, especially the aged and the poor, are not hurt by the program transfers we adopt?

We are discussing in these hearings one of the most fundamental of questons: How do we govern ourselves? Who should be responsible for the many functions of government? I welcome the witnesses today as we continue our dialog on these and other questions concerning our Federal system.

Chairman ROTH. I would ask Senator Mattingly whether he has any opening remarks.

Senator MATTINGLY. No, Mr. Chairman.

Chairman ROTH. Thank you.

We will, then, call upon our Comptroller General, Mr. Bowsher. I would ask each of the witnesses, in the interest of time, because we have a number of distinguished people appearing before us, to try to summarize their testimony if that is practical. The full statement will be included in the record as if read.

Mr. Bowsher, we are delighted to welcome you and your two colleagues to appear today. Please proceed.

TESTIMONY OF CHARLES A. BOWSHER, COMPTROLLER GENERAL, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY HARRY S. HAVENS, ASSISTANT COMPTROLLER GENERAL FOR PROGRAM EVALUATION, AND GENE L. DODARO, SUPERVISORY GAO AUDITOR, GENERAL GOVERNMENT DIVISION

Mr. BOWSHER. Thank you, Mr. Chairman and Senator Mattingly. I welcome the opportunity to appear this morning to discuss our views on various aspects of New Federalism. Harry Havens and Gene Dodaro of my office came with me. You asked that we address several points. I would like to turn first to the question of criteria for determining which responsibilities are national in scope, properly handled at the Federal level, and those which should appropriately reside at the State and local government level.

In my judgment, there are no simple right or wrong answers to these questions. The issues are profoundly political in nature and require consideration of the constitutional relationships between States and the Federal Government.

The GAO long has supported reform of the intergovernmental system but the choices involve tradeoffs. An analysis can tell us what these tradeoffs are, but only the people and their elected representatives can decide how to make them.

Take the example of education. We, as a nation, have a longstanding tradition of State and local control of public education. Few challenge that basic tradition. But in the period since World War II, it has become apparent that the quality of education, and the equality of access to it, are issues having significant national consequences. They affect both economic growth and social stability. But it must be left to our constitutional political processes to determine the extent to which these national consequences warrant intrusion on local control.

These tradeoffs can be grouped into general categories, such as:

One, efficiency and effectiveness. In some functions there are clear economies of scale favoring a national operation. In other cases, program effectiveness may be promoted by the consistent application of a single set of standards on a nationwide basis. Sometimes, however, efficiency and the effectiveness may depend on the ability to respond to widely varying local conditions. These circumstances would tend to favor greater State and local discretion.

Another is the demonstrated capacity to provide functions. Some functions, such as welfare, moved into the Federal arena because of perceptions that State and local governments could not cope with the problem in the 1930's. In considering change with respect to functions which were previously in the domain of State and local governments, one should examine the original reasons for Federal involvement and see if those reasons still apply.

Three, historic relationship. There is value to maintaining relationships to which people are accustomed. Disrupting these arrangements can produce wasteful confusion and disharmony.

On the other hand, when such historical arrangements have proved to be ineffective they should be changed.

Each of these factors is an appropriate consideration in reaching a judgment as to whether Federal, State or local government should be responsible for a particular function. It is also appropriate for those judgments to be reexamined from time to time and changed if circumstances warrant. I think the Nation has been going through such a process in recent years.

One factor in the sorting-out process is the capacity and willingness of various governmental levels to carry out particular functions. You asked that we address the issue of State fiscal and administrative capacity, so I would like to turn to that subject.

First, I must say, capacity is difficult to measure. In addition, one cannot generalize because conditions vary quite widely from one State to another.

With respect to fiscal capacity, the situation in each State depends on the nature and condition of that State's economy, its tax structure, and the level of services it has historically provided. A State with a strong and growing economy is in a better position to assume added responsibilities than a State with a weak or stagnant business climate.

Each State's fiscal capacity, however, is influenced substantially by the condition of the national economy, a factor over which the States have little control.

It is also difficult to generalize about their administrative capacity, but it is reasonable to presume that capacity in general has increased in recent years.

Most States have experienced growth in professionalism in the civil service and have adopted more modern management practices. We hope to see a continuation and an acceleration of those trends. I suspect some States will find it relatively easy to take over the management responsibilities contemplated under New Federalism. Others may find it more difficult.

Of course, Federal administrative capacity in assuming responsibility for State administered programs can be a serious problem as well. This is best exemplified by the problems we at GAO identified when the supplemental security income program was taken over by the Federal Government in 1974.

I would like to skip over some of my statement here.

We have sent teams out on the block grants. That legislation took effect on October 1, 1981, and in December, we initiated our field work to examine the transition process and the early implementation of these grants.

We visited 13 States across the country, which account for about 45 percent of the funds and an equivalent proportion of the Nation's population.

We have talked with over 600 State and local officials as well as representatives of the cognizant Federal departments.

Our work is not yet complete, and it is still very early in transition process. Right now the States' primary concern is maintaining service continuity. Some States, however, have begun to put their own imprint on program priorities, and others are contemplating such changes. Thus, a definitive picture will not be available for some time, But some of our preliminary observations may assist the Congress in considering new block grant proposals and other New Federalism initiatives.

I think one important factor which has helped facilitate the initial transition period for most of the block grants is the States' considerable involvement in the predecessor categorical programs. To the extent that this involvement existed, administrative frameworks and institutional knowledge were in place.

For example, social services and low-income energy assistance funds already flowed exclusively through the States. Similarly, to a varying degree, States were involved with the categorical programs which formed the maternal and child health, the preventive health and the alcohol, drug abuse, and mental health block grants through direct program administration and developing comprehensive plans and contracting for State-funded programs with some of these same grantees.

Categorical funds now included in the community services block grant were primarily provided directly by the Federal Government to the community action agencies or other local grantees. Although some States had knowledge of these programs, those opting to implement the community service block grants generally have had to expand and develop an administrative and programmatic framework. Of the 13 States we visited, 5 have deferred assuming responsibility for this program.

The other three block grants which have had a heavy direct Federal-local component—small cities community development, primary care and education—have not yet become effective. The States are determining what adjustments will be needed to implement these grants and considering whether to pick up the optional primary care and small cities grants.

Current State involvement should be considered in setting transition schedules for future block grant and turnback legislation. For example, employment and training programs have been primarily operated by local governments and private organizations. Although the absence of prior State involvement does not mean a State would be unable to take over a function, it does say a great deal about the time which may be needed to make the necessary adjustments.

The transition of the three health and community services block grants has been eased because many grantees have continued to receive direct Federal funding from fiscal year 1981 awards. Almost all of the predecessor programs were project programs or had a project grant component funded for at least a 12-month period. Because they were funded at various times in the Federal fiscal year, many in the July through September period, these projects continue to operate well into fiscal year 1982 with the prior year's funds. This has allowed States some breathing room to make the initial adjustments to the block grants and to the reduced budget levels.

There are a number of crosscutting national policy requirements which were enacted through legislation other than the Reconciliation Act. These requirements, such as uniform relocation assistance, merit personnel systems, fair labor standards, environment protection, and others, apply to a wide range of activities receiving Federal assistance. There are general references to the Civil Rights statutes in all but the social services and the elementary and secondary education block grant statutes. Agency regulations make them applicable to these programs, as well.

By and large, the Reconciliation Act is silent on the other crosscutting requirements and so are aqency regulations. The effect of this is that the States we visited pointed out they are left to determine the applicability of Federal crosscutting statutes.

We believe that the Federal agencies responsible for implementing these requirements should clarify for the States whether they apply to the block grants. If the administration considers an applicable requirement to be inappropriate, then it should propose remedial legislation to the Conqress.

Traditional forms of Federal oversight such as approval of States plans have been largely eliminated. As greater reliance has been placed on the States' own laws and procedures, Federal regulations and reporting requirements have been reduced.

The act calls for the Secretary of Health and Human Services to consult with GAO and the States concerning the form and content of the health block grant annual reports. Our staff has met with HHS officials, and it appears that the Department will not prescribe the form or the content of these reports. HHS expects the States to develop an annual report that meets the requirements of the law.

The States have been working through the Association of State and Territorial Health Officers to modify that organization's health data reporting system to meet the reporting requirements and to provide consistent information among the States. HHS has apparently been supportive of these initiatives and is exploring whether block grant funds might be used to support this reporting system. There are some indications that States are working together in developing similar reporting approaches for other block grants as well. It is too early to tell if this approach will produce sufficient information needed for national policymaking.

With the great reduction in information available through the application and reporting processes, the audit has been a primary vehicle for assessing compliance with Federal law. As part of our transition study, we have been discussing with State and Federal officials how they plan to audit the block grant funds.

Plans are underway to develop such audit strategies, and many questions have arisen concerning what will be required to satisfy the block grant audit requirements. These questions include the relationship between the single entity or an organizationwide audit and the scope of audit coverage required for the block grants. To resolve these issues, we plan to work with all interested and affected parties at the Federal, State, and local government level and within the private sector.

While the principal audit relationship or responsibility lies with the States, the authorizing legislation for the block grants calls upon the GAO periodically to perform audits and program reviews. We are developing plans to fulfill these responsibilities and review the mechanisms that States use to insure accountability for block grant funds.

As you know, we have been working with many qroups over the years to improve the scope and the quality of audits for federally assisted activities. Improvements have been made, but much remains to be done. I am confident that our future efforts in the audit and accountability area will lead to steady improvement.

I have concentrated today on what I consider to be the major issues emerging from our preliminary work. I am sure we will have a number of other observations, and as our study progresses, we will keep this committee fully informed.

This completes my statement, Mr. Chairman. We will be pleased to answer any questions.

Chairman ROTH. Of course, you have only been the Comptroller General for a relatively short period, but you have an outstanding background both in the private and public sector, having served, as I recall, as Assistant Secretary of the Navy for a number of years and being a partner in Arthur Andersen & Co., where you spent a decade working with and advising Government leaders on financial and general management problems at the national, State, and local level.

Is it fair to say that in Government we probably have had a national crisis in management? It is a fact that we have Federal, State, and local governments involved in so many programs and the administration in different aspects of those programs, that we have made decisionmaking in Government difficult and slow, that we have made the administration of these programs probably unnecessary, complex, and expensive.

Would you comment on that?

Mr. BOWSHER. Yes, Mr. Chairman.

I think, basically, I would agree with those observations. I think the intergovernmental system has been very complex. I, as an individual when I was in the private sector, as well as now here have recommended, and also I think it has been the tradition of GAO that it has always recommended, simplifying the overall system and trying to give more accountability at the various levels of Government.

We endorsed and the GAO has endorsed also the concept of, I think, consolidating separate categorical programs having related objectives and having similar target populations.

Also, we have always been trying to get more responsibility, placing management responsibility for similar programs in the same agency and giving the States greater flexibility to match the resources with their needs and their priorities. Much of this we agree with and have advocated.

Chairman ROTH. I have found in the meetings that I have attended, both at the White House and separately with the Governors and others, that there seems to be a great deal of support for the general concept of a New Federalism; that is, the idea that there ought to be some sorting out of responsibilities and the raising of the revenues for those responsibilities rather than to continue in this current process where we not only have a high number of programs, but as I said earlier, they are administered by several levels of Government.

Do you, as a management expert, agree that if we can affect a sorting out of responsibilities away the various levels of Government that we could take a major step toward providing better service to the people that the programs are supposed to be directed toward?

Mr. BOWSHER. Yes, I would think so, Mr. Chairman. I think it is important, as we point out in our testimony here, that the transition period be handled properly. As we are interviewing some of these State officials, it is obvious that they have got to have enough time to get their administrative procedures in place. In some of the programs, it seems to be working, and in others, there is some concern that they will not have enough time.

That is one of the things, in addition to sorting out the responsibilities, which I think is very important. Careful consideration of transition periods is important.

Chairman ROTH. I would like to raise the timing problem for a moment. In the President's proposal, as I recall, the program swap would take place in fiscal year 1984.

Then there is the proposal that nearly $30 billion worth of programs be assumed by the States, although there is no agreement as to what those would be. Here there would be a 4-year period in which the States could opt out and of those programs and receive funding for them through a Federal trust fund. After this there would be a 4-year period in which the funds in the trust fund would be reduced by 25 percent and the States would take complete responsibility for the over 40 Federal programs. So we are talking roughly about a 10-year period.

In at least some of the meetings that I have sat in there has been a feeling that from the standpoint of financing, that this may be too short a period. I wonder if you have any thoughts or comments on what kind of a transition period for the various aspects of the proposal would be appropriate?

Mr. BOWSHER. One of the areas we are focusing on is the administrative systems, and we think where the systems have to be changed and there are not large computerized systems involved that a year is probably enough.

But if there are large, computerized systems involved, then 2 years is not too much. In other words, I think that is a factor that has to be considered.

Chairman ROTH. So if I understand, at least from the administrative point of view, the President's proposal really takes a greater period of time than that?

Mr. BOWSHER. Yes, it does, on the big swap period.

Chairman ROTH. On the big swap period?

Mr. BOWSHER. Yes. Some of the block grant ones are——.

Chairman ROTH. Much of the concern, of course, is on the revenue side.

Mr. BOWSHER. And one of the big concerns there, of course, is whether there will be the revenue flowing into the trust fund in the quantity that has been estimated. We have found quite a bit of concern at the State level that those funds will be there.

Chairman ROTH. Senator Mattingly?

Senator MATTINGLY. Are you familiar with the Durenberger approach about establishing a trust fund which would not depend upon the windfall profit tax?

Mr. BOWSHER. Right. That is the one that would leave 6 percent of the individual tax revenues that would be designated for that?

Senator MATTINGLY. Right.

Mr. BOWSHER. I am not 100 percent familiar with it, but I am somewhat familiar with it.

Senator MATTINGLY. Is there going to be an ongoing process to assure that not only will the States have the responsibility for the Federal projects but also that they will have the fiscal ability to support such responsibilities?

Mr. BOWSHER. Yes; we are going to be continuing to monitor that. We won't be able to go to all States, but we will go to selected States.

Starting our work here on the block grants, we went to 13 States which covered about 45 percent of the revenues and population. One of the things we are looking at is their capability to account for the funds, to handle the funds, and to review the audit, if that gets to your question.

Senator MATTINGLY. Obviously, then, the New Federalism, will give the States ability to plan and give more assurances than, really, what they have now, right? That is because so many of the fiscal years in the States are different from that of the Federal Government.

Mr. BOWSHER. Yes. Right. That is a big problem of course, that at the State level there is the different fiscal year and so often the Federal program has been on a continuing resolution. If that could be done more timely, let's say, at the Federal level, that gives them a lot better capability to plan.

It also gives them a greater ability to plan when they have got them in blocks; those individual grants are much tougher to plan.

Senator MATTINGLY. For all the doubting Thomases who dislike the New Federalism, I want them to know about this: One of the basic complaints that I have had, from people just coming to Washington, was the inability to plan the State's programs because of the fiscal years not being the same. We ought to really stress that when this New Federalism goes into effect, it is going to give the ability back to the States to really plan their fiscal year. I think this is one positive thing that we ought to all be underscoring about the New Federalism.

We are currently using a similar yardstick.

I recommend you put this fact in your dialog every time you discuss the New Federalism. I think that during the sorting out process, such information just cannot come just from the State governments, correct?

Mr. BOWSHER. That is right.

Senator MATTINGLY. You were also talking about the administrative systems to be changed. I feel it is difficult to change systems, but I want to get back to that. One of the things that I have discussed with the Advisory Committee on Intergovernmental Relation—which I am introducing legislation to expand that commission—the importance of the 2-year period so that we can get input from other sectors of the States, and that we are just not limited to who is on, currently, that committee. This is necessary so that you get the proper input from those effected programs as to where they are going; in fact, if we are going to do away with a program here or fold it back into the State we may get the proper ideas from the people in education or whatever.

Would you think that would make the transition period a little easier?

Mr. **Bowsher**. Yes, it would, and I think it is important to get those people's views, I really do.

Senator **Mattingly**. What I say is it may be for the interim period, possibly for 2 years, expanding that committee, make them nonvoting members. Just to have input from those folks, I think, would give a lot of advice and counsel.

Mr. **Bowsher**. I think that would be very good.

Chairman **Roth**. Senator Cohen?

Senator **Cohen**. Thank you, Mr. Chairman.

Mr. Bowsher, I think that the general sentiment in this country, and obviously in this Congress, is that there have to be changes made in the way we have been doing business; that Government has become more complex and that changes should be made.

This is not simply President Reagan's view. For example, I recall in Alvin Toffler's most recent book called "Third Wave," he talked about one of the most dangerous issues confronting the American people, or indeed, beyond America, as being the mass suffocation of individuals by institutions. The individual spirit is being suppressed and suffocated by massive institutions which the individual can no longer relate to.

So it is not simply a Reagan proposal. It is something, I think, that has been brewing and being considered by many people over a long period of time. I think that we ought not to resort to any single supreme simplicities, either. On the one hand, the Government has become more complex. There is a reason for it: Society has become more complex.

With the industrial revolution, we have obviously made great progress. We have also had some problems, problems which individual communities and individual States simply do not have the resources to bear. A specific example would be Love Canal which cast a shadow of the expression, "Better Living through chemistry." [Laughter.]

It is a classic example of industrial progress coming with great environmental harm which local communities simply do not have the resources to deal with.

So while we are moving toward reforming our system in order to make it more efficient and more effective, we also have to be very, very sensitive to the disparities that exist and the inability on the part of States or communities to take up an issue and to deal with it.

There is another issue, and this is not directed to you principally, which is that we ought to be very careful that we don't balkanize this country. There are many regions in this country that simply do not have the resources that others do. We might find ourselves under the rubric of saying States' rights or States' responsibilities, and we might very well end up with having various regions much more prosperous than other parts of the country which would tend to have a balkanizing effect.

Having said that, I would like to ask you a few questions. On page 5 of your statement, you indicate that one of the real concerns that the States have about the block grants is how they are going to maintain service continuity.

What would you recommend specifically to ease that concern about continuity of services during the implementation of block grant programs?

Mr. BOWSHER. I think that earlier I had discussed the transition; in other words, allowing that proper time to sort out their programs to do the complying where they want to comply and to do the simplification.

If they do not have enough time to do it properly, well, then they will just have to rush for it and do what they can. I think that is important.

I think the other thing is the thing you have pointed out, Senator, and that is that some States have good fiscal resources at this time; others do not. The ones that do not certainly do have more concerns about providing continued service, you might say.

Senator COHEN. If they cannot, for example, tax oil or if they cannot tax some other energy resource, they are left to excise taxes. Excise taxes, historically, have been viewed as being rather regressive, hitting middle- and low-income people certainly much harder than they do people in the higher levels.

So is that the alternative, to impose excise taxes?

Mr. BOWSHER. I think some States will ultimately probably face the possibility of cutting services in lieu of raising taxes. Just how they can do that I am not sure.

Senator COHEN. I think other witnesses will testify later on this issue so we can pursue it then.

I would like to ask what your oversight responsibilities would be with respect to the trust fund for those States who forego the categorical programs during the transition period and elect to receive super revenue sharing. Should there be any oversight exercised with respect to those funds?

Mr. BOWSHER. We have put together a specific task force that is looking into this area, block grants.

Mr. HAVENS. We have not discussed that.

Mr. BOWSHER. Why don't we let Harry offer some thoughts on this subject?

Mr. HAVENS. I think the issue really comes down to what level the Congress wants GAO to pursue.

Senator COHENS. Your agency is charged with exercising oversight, is it not?

Mr. HAVENS. Yes; it is. There clearly are some issues that could be pursued, and we would probably be inclined to pursue those, such as what sorts of consequences emerge; what sorts of programs did States choose not to continue; why; what the effect was.

Looking at other parts of it, I think we would need to look very hard at the Federal administrative structure for medicaid if that part of the swap went through, because we had some problems with federalization of SSI.

Senator COHEN. Are you going to include things such as prescription glasses?

Mr. HAVENS. There are a number of cases like that. As far as I know, medicaid had not specified the details of the program.

Senator COHEN. My time is up, Mr. Chairman.

Mr. BOWSHER. Mr. Chairman, if I could, I would just like to have Harry summarize for the committee in a few minutes how we are planning to, the GAO, could watch over this block grant and everything else.

We have formed a task force. I think it would be of value if he could just summarize for a few minutes.

Chairman ROTH. Please, Mr. Havens.

Mr. HAVENS. The main focus of our effort would be to try to keep the Congress informed of the things that it appears to us that the Congress needs to know, or will be interested in knowing.

These start off with reports on the transition process itself; what is happening in the States as they move from Federal categorical programs to block grants; how they are adjusting; what sorts of pressures it creates for the States; what sorts of changes they are making.

Next, we have an institutional responsibility to encourage reliable audit and other oversight procedures within the States themselves.

We are working there, through our accounting and financial management division and its contacts with the State auditors and the rest of the audit community, to build that capacity as rapidly as possible.

The third area that we are concerned about is keeping the Congress informed of what sorts of services are being delivered as we go down the road through the block grant process, because I don't think the Congress will be prepared to function in ignorance and fund programs in ignorance of what sorts of services are, in fact, being provided.

The fourth area of concern that we are focusing on over the next 3 or 4 years is to develop the capacity to evaluate the effectiveness of the block grants once they are put in place; going beyond the question of what services are provided, to questions of what effect those services have on the people who are the intended targets. These involve some rather difficult conceptual problems of evaluating programs which differ quite widely from one State to another.

So we are doing some groundbreaking work there to develop that particular capacity. I think that summarizes our general effort.

Mr. BOWSHER. Thank you, Mr. Chairman.

Chairman ROTH. Senator Danforth?

Senator DANFORTH. Do you know any reason why the States' assumption of AFDC and food stamps should be the sine qua non of a New Federalism?

Mr. BOWSHER. I think that is a judgment on that, Senator.

Senator DANFORTH. It would certainly be possible to devise a similar reshuffling of Federal and State responsibilities without giving the States control of AFDC and food stamps, wouldn't it?

Mr. BOWSHER. I think there are other possibilities, yes.

Senator DANFORTH. Yes. If the Federal Government were to take on all the responsibilities of medicaid, what sorts of programs could the States take on in their totality which would add up to medicaid in dollars?

Mr. BOWSHER. Let us give that some thought.

Senator DANFORTH. But there are a wide variety of Federal programs that are administered by the States with the costs shared by the Federal Government and the State government; isn't that right?

Mr. BOWSHER. That is correct.

Senator DANFORTH. So at least in theory it would be possible to arrive at somewhat the same kind of transfer, the same kind of reshuffling without having AFDC and food stamps being taken over by the States; right?

Mr. BOWSHER. Yes.

Mr. HAVENS. I would have to look at the numbers as to whether it was possible to come up with a mix of programs that precisely matched the cost of medicaid or came close to it, but I suspect that it would be possible to put such a package together.

Senator DANFORTH. Do you have a view as to whether—let's say that the question is whether AFDC and food stamps should be taken over entirely by the States or be operated entirely by the Federal Government.

Do you have a view as to which level of government is the best one to operate the basic welfare programs?

Mr. HAVENS. Going back to Mr. Bowsher's original statement, I do not think there are simple right and wrong answers.

Senator DANFORTH. I know; it is a judgment call, but what is your judgment call?

Mr. HAVENS. It is basically a political judgment as to which is more important among a number of factors. There is a longstanding argument that welfare, basic welfare benefits would be desirably uniform across the country or at least reasonably consistent. That would argue for Federal responsibility. That has also been accompanied over the years by an argument that these programs are so expensive that we have built up expectations for levels of benefits that are so expensive that it is unreasonable to expect the States and localities to finance them.

The argument on the other side, which also has merit, is that these are programs which should be responsive to local conditions or local circumstances, and so on. Those would argue for a substantial degree of variability in benefits, and I think it is a judgment that you, the Congress, must reach as to which of those arguments has more merit.

I do not think there is an analytical basis for saying that one is right and one is wrong.

Senator DANFORTH. If they were taken over by the States, would this lead to a great migration in the country of people shopping; would there be an increase in the movement of population?

Mr. **Bowsher**. It has potential in some ways, depending on how the States sort out the programs, and I think in the end, how they might do some combining, I think it is really too early to tell on that, but I think that is one of the potential risks.

Senator **Danforth**. Wouldn't there be great political pressure on the more well-off States, the more prosperous States, to, in fact, cut back to have a smaller portion of their resources invested in AFDC and food stamps if the political heat was not on those States to have generous programs in order to, in effect, ship their problems somewhere else?

Mr. **Bowsher**. I suspect the political pressures will be crosscutting, in other words, and will vary quite a bit from locality to locality, but those are some of the pressures.

Senator **Danforth**. The States with very little poverty would have less of a political incentive to provide generous programs, because their people couldn't care less.

Mr. **Bowsher**. I expect an analysis would be needed.

Senator **Danforth**. So the migration would be accelerated, wouldn't it?

Mr. **Bowsher**. It potentially could be; that is right.

Senator **Danforth**. Thank you, Mr. Chairman.

Chairman **Roth**. I will just ask you a couple of questions following up on Senator Danforth's questions. I have an open mind on these areas, but as I recall, one of the reasons the negative income tax failed when President Nixon proposed it several years ago was that there was a great concern that the plan would create such a tremendous constituency that it would run out of control; that the problems that we face with a deficit today would be compounded if you built programs nationally that had a tremendous constituency that the Members of the Congress were afraid to vote other than the way that particular interest desired.

Have you given any thought to this? Because it does not make any difference whether you are talking about the AFDC program, that or the medicaid program or other programs. How can this plan be shaped in such a way that we do not run into the same kind of problem we have had in the last 20 years with our Federal programs? In the case of social security, it was a hope that the fact that the self-financing would place at least some kind of a control and help the politician from yielding to the wildest demands.

But I think this is a problem that is going to have to be faced, whatever the Federal Government takes over. How can we insure that it doesn't run out of control, and yet meet the logical demands?

Do you have any comment on that?

Mr. **Bowsher**. Let us give some thought to that. I know there was some concern back during the negative income tax. Let us give that some thought.

You want that in light of the administration's program that is being proposed?

Chairman **Roth**. Yes. Or if we move the other direction and decided that the Federal Government should take over welfare and food stamps, I would just like to have some of your thinking on that matter.

[The information referred to follows:]

The Congress has available several mechanisms which can be used to help contain unwarranted growth in federally-funded programs. The budget reconcilliation process, particularly in the last few years, has tended to help resist cost growth pressures because in establishing overall budgetary limits, it acts as a counterbalance to the pressures which are often brought to bear by special interest groups.

The use of "sunset legislation" to authorize or establish programs is another mechanism that could help Congress resist cost growth pressures. Because such legislation, when used, can provide for program termination after a specified time period, it provides a vehicle for congressional reassement of the need to continue the program. In such reassessments, special attention can be focused on several issues, including the extent to which the program's objectives have been met; the extent to which the program's objectives can be carrieed on without further Federal assistance; and, whether or not any changes in purpose, direction or administration of the original programs, or in the applicable procedures and requirements, should be made.

In a more general sense, one way to assure more attention to costs is to adhere to the concept that the government level which sets program benefit levels and eligibility requirements should also be responsible to its taxpayers for raising the revenues to pay the costs of providing those benefits. It appears that this principle is a basic element of the Administration's New Federalism initiatives.

Chairman ROTH. The other comment, which is just a general comment that I would make, is that I agree with the balkanization issue. I think that has got to be a matter of concern, as was brought out by Senator Cohen. At the same time, you have a problem. If you have a national program, does it make sense to have the same benefits paid for those living in major cities, as in New York City, as those who live in a rural area?

Ideally, you could argue it ought to be the purchasing power. If you are going to treat everybody the same, they should have the same benefits, but there are differences, wide differences.

Mr. BOWSHER. That is correct.

Chairman ROTH. I guess what I am trying to say is there are several facets or sides to these problems, and no easy answers. We have several witnesses, so I would ask each Senator to try to be as brief as they can.

Senator MATTINGLY. Don't you agree that any program that exists, the Federal Government has got a constituency?

Mr. BOWSHER. Most of them do; yes, Senator.

Senator MATTINGLY. No matter what you decide, there is no program you can propose to transfer back to the States that is not going to have some objection from its constituency; correct?

Mr. BOWSHER. That is right. I think there are going to be pros and cons against each program, no question.

Senator MATTINGLY. The Federal Government is not necessarily fair and equitable, either, so when we are talking about a fairness and equity in returning programs back to the States, this interim period is the time to try to create fairness and equity; to say that the Federal Government has got fairness and equity right now is also considered; is that correct?

Mr. BOWSHER. I think that is correct.

Senator MATTINGLY. You all keep bringing up political judgment, but somebody has got to decide; right?

Mr. BOWSHER. Right.

Senator MATTINGLY. This group is going to make the decision; I mean the Congress. That is why I suggest we go back to people in the States, not trying to reinvent the wheel but to make sure we get the correct input, just not from GAO and not only from the intergovernmental Relations Subcommittee, but to make sure we pick up that input from across this country from those impacted programs.

Who better knows the impact of those programs than the education institutions, hospitals, et cetera? I think that we can dispel many of the "problems" the New Federalism, not that we should not debate it—because I think we should—but a lot of such problems can be dispelled by getting the proper input back to us to make sure we can make these so-called political judgments.

Mr. **Bowsher**. I would agree with that, Senator, and we are going to try to give you that input on a kind of a continuing basis from the GAO. But I would also agree that many other sources would have good input to provide to the Congress.

Senator **Mattingly**. OK.

Senator **Cohen**. Mr. Chairman, I have just a couple of observations. It is our responsibility to try and find exactly what road we are following and where we are going to come to. For example, I used to be mayor of a small city in Maine, and I thought it was a pretty progressive city. We had a lot of programs—some of them that were federally funded—we found that we were doing things with housing programs for middle- and low-income people, and what happened? As soon as we had the programs, we had all the rural areas—and most of the people are in the rural areas—emptying into the city of Bangor saying, "We want to take advantage of those housing units." We found we didn't have enough housing to take care of all the people.

There was pressure on us from people saying, "Let's cut off the program because we have people moving into the city."

Senator Danforth is saying you magnify that on a much larger scale and you will see that very wealthy areas of this country will find migrations into that area. You might find yourselves in the anomalous situation where cities and localities won't provide the services and the poorer areas can't provide the services. In that case, you have the worst of both worlds.

That is one of the reasons why the Federal Government stepped in in the past, because the State or local government wouldn't or couldn't assume responsibilities An example would be aid to the handicapped. That is why the Federal Government stepped in, because there was very little assumption of those responsibilities at the local level.

I don't think it is enough to say that we are going to simplify everything—and you take this and we will take that—we won't be concerned about the consequences. I think before we take those actions, we have to be concerned about the consequences. These are the reasons we are asking you the questions as to whether or not it is an economic decision or it is a political decision.

If it is a political decision, perhaps we have a better political judgment to make. That is something that I am not prepared to say.

Let me ask you one question. I know the Chairman wants to get on with the hearing, but you have indicated that there is concern about the applicability of national policy, requirements to block grants. What kinds of standards should we be assessing?

We are at least indicating to the States, I assume, uniform relocation assistance, merit personnel systems, labor standards, political activity constraints, civil rights statutes. What are the States to do?

Mr. Bowsher. That is the question they are asking, and what I tried to raise in my testimony there was that I think they are asking that question. If there could be some guidance from the Federal Government it would be helpful.

They call it an interagency task force over at OMB, and maybe they are the ones to handle it. I think ultimately, you might have some situations where you might need some clarifying legislation.

Senator Cohen. Thank you, Mr. Chairman.

Senator Danforth. I have nothing further.

Chairman Roth. Thank you very much, Mr. Bowsher. We appreciate your being here today.

[Mr. Bowsher's prepared statement follows:]

PREPARED STATEMENT OF CHARLES A. BOWSHER

I welcome the opportunity to appear this morning to discuss our views on various aspects of New Federalism.

You asked that we address several points. I would like to turn first to the question of criteria for determining which responsibilities are national in scope, properly handled at the Federal level, and those which should appropriately reside at the State and local government level.

In my judgment, there are no simple right or wrong answers to these questions. The issues are profoundly political in nature and require consideration of the constitutional relationships between States and the Federal Government.

The General Accounting Office long has supported reform of the intergovernmental system but the choices involve tradeoffs. Analysis can tell us what these tradeoffs are, but only the people and their elected representatives can decide how to make them.

Take the example of education. We as a Nation have a long-standing tradition of State and local control of public education. Few challenge that basic tradition. But in the period since the Second World War, it has become apparent that the quality of education, and equality of access to it, are issues having significant national consequences. They affect both economic growth and social stability. But it must be left to our constitutional political processes to determine the extent to which these national consequences warrant intrusion on local control.

These tradeoffs can be grouped into general categories, such as:

--Efficiency and effectiveness. In some functions there are clear economies of scale favoring a national operation. In other cases, program effectiveness may be promoted by the consistent application of a single set of standards on a nationwide basis. Sometimes however, efficiency and effectiveness may depend on the ability to respond to widely varying local conditions. These circumstances would tend to favor greater State and local discretion.

--Demonstrated capacity. Some functions, such as welfare, moved into the Federal arena because of perceptions that State and local governments could not cope with the problem in the 1930's. In considering change with respect to functions which were previously in the domain of State and local government, one should examine the original reasons for Federal involvement and see if those reasons still apply.

--Historical relationships. There is value to maintaining relationships to which people are accustomed. Disrupting those arrangements can produce wasteful confusion and disharmony. On the other hand, when such historical arrangements have proved to be ineffective they should be changed.

Each of these factors is an appropriate consideration in reaching a judgment as to whether Federal, State or local government should be responsible for a particular function. It is also appropriate for those judgments to be reexamined from time to time and changed if circumstances warrant. The Nation has been going through just such a process in recent years.

One factor in the sorting-out process is the capacity and willingness of various governmental levels to carry out particular functions. You asked that we address the issue of State fiscal and administrative capacity, so I would like to turn to that subject. And I must say, capacity is difficult to measure. In addition, one cannot generalize because conditions vary so widely from one State to another.

With respect to fiscal capacity, the situation in each State depends on the nature and condition of that State's economy, its tax structure, and the level of services it has historically provided. A State with a strong, growing economy is in a better position to assume added responsibilities than a State with a weak or stagnant business climate. Each State's fiscal capacity, however, is influenced substantially by the condition of the national economy, a factor over which the States have little control.

It is also difficult to generalize about administrative capacity, but it is reasonable to presume that capacity in general has increased in recent years. Most States have experienced growth in professionalism in the civil service and have adopted more modern management practices. We hope to see a continuation and acceleration of those trends. I suspect some States will find it relatively easy to take over the management responsibilities contemplated under New Federalism. Others may find it much more difficult.

Of course, Federal administrative capacity in assuming responsibility for State administered programs can be a problem as well. This is perhaps best exemplified by the problems we at GAO identified when the Supplemental Security Income Program was taken over by the Federal Government in 1974.

Once the decision has been made to shift responsibility from one level of government to another, there remains the job of assuring that the transition is as smooth as possible and that the legislation accomplishes its intended purposes. It is by keeping the Congress informed on these issues that GAO can make its greatest contribution.

I intend to place major emphasis on this area over the next few years, concentrating on the following matters:

--Monitoring the transition to block grants;

--Reviewing State and local government auditing coverage;

--Reporting on services provided under block grants; and

--Evaluating the effectiveness of block grant programs.

I would like to turn now to discussing our first major effort under this plan, monitoring the transition to block grants under the Omnibus Budget Reconciliation Act of 1981.

EARLY EXPERIENCE WITH THE FIRST PHASE OF THE NEW FEDERALISM

This legislation took effect on October 1, 1981. In December we initiated our field work to examine the transition process and early implementation of these grants. We have visited 13 States across the country which account for over 45 percent of the funds and an equivalent proportion of the nation's population. We have talked with over 600 State and local officials as well as representatives of the cognizant Federal departments.

Our work is not yet complete and it is still very early in the transition process. Right now the States' primary concern is maintaining service continuity. Some States, however, have begun to put their own imprint on program priorities and others are contemplating such changes. Thus, a definitive picture will not be available for some time. Some of our preliminary observations, however, may assist the Congress in considering new block grant proposals and other New Federalism initiatives.

Prior State experience should be a determinant in designing transitions

One important factor which has helped facilitate the initial transition period ~~for~~ most of the block grants is the States' considerable involvement in the predecessor categorical programs. To the extent this involvement existed, administrative frameworks and institutional knowledge were in place.

For example, social service and low-income home energy assistance funds already flowed exclusively through the States. Similarly, to varying degrees, States were involved with the categorical programs which formed the Maternal and Child Health; Preventive Health; and Alcohol, Drug Abuse and Mental Health block grants, through direct program administration, developing comprehensive plans, and contracting for State funded programs with some of the same grantees.

Categorical funds now included in the Community Services block grant were primarily provided directly by the Federal Government to the Community Action Agencies or other local grantees. Although

States had some knowledge of these programs, those opting to implement the Community Services block grant generally have had to expand and develop an administrative and programmatic framework. Of the 13 States we visited, 5 have deferred assuming responsibility for this program.

The other three block grants which had a heavy direct Federal-local component--Small Cities Community Development, Primary Care, and Education--have not yet become operational. States are determining what adjustments will be needed to implement these grants and considering whether to pick up the optional Primary Care and Small Cities grants.

Current State involvement should be considered in setting transition schedules for future block grant and turnback legislation. For example, employment and training programs have been primarily operated by local governments and private organizations. Although the absence of prior State involvement does not mean a State would be unable to take over a function, it does say a great deal about the time which may be needed to make the necessary adjustments.

Continuation of Federal outlays from past commitments proves to be a transition aid

The transition to the three health and Community Services block grants has been eased because many grantees have continued to receive direct Federal funding from fiscal year 1981 awards. Almost all of the predecessor programs were project grants, or had a project grant component, funded for at least a 12-month period. Because they were funded at various times in the Federal fiscal year, many in the July through September period, these projects continue to operate well into fiscal year 1982 with the prior year's funds. This has allowed States some breathing room in making the initial adjustments to the block grants and to the reduced budget levels.

Federal executive branch should provide advice on national policy requirements

There are a number of crosscutting national policy requirements which were enacted through legislation other than the Reconciliation Act. These requirements, such as uniform relocation assistance, merit personnel systems, fair labor standards, environmental protection, political activity constraints, and various civil rights statutes, apply to a wide range of activities receiving Federal financial assistance. There are general references to the civil rights statutes in all but the Social Services and the Elementary and Secondary Education block grant statutes. Agency regulations make them applicable to those programs as well.

By and large the Reconciliation Act is silent on the other crosscutting requirements and so are agency regulations. The effect of this is that the States are left to determine the applicability of Federal crosscutting statutes.

Given the short time available to plan and administer the new block grant programs, States are just now considering these issues. Some State officials are uncertain as to the applicability of these requirements to the block grants and believe that Federal advice on this matter would be helpful. We believe the Federal agencies responsible for implementing these requirements should clarify for the States whether they apply to the block grants. If the Administration considers an applicable requirement to be inappropriate, then it should propose remedial legislation to the Congress.

Reduced Federal role
in assuring accountability

Traditional forms of Federal oversight, such as approval of State plans, have been largely eliminated. As greater reliance has been placed on the States' own laws and procedures, Federal regulations and reporting requirements have been reduced.

The act calls for the Secretary of Health and Human Services (HHS) to consult with GAO and the States concerning the form and content of the health block grant annual reports. Our staff has met with HHS officials and it appears that the department will not prescribe the form or content of these reports. HHS expects the States to develop an annual report that meets the requirements of the law.

The States have been working through the Association of State and Territorial Health Officers to modify that organization's health data reporting system to meet the reporting requirements and provide consistent information among States. HHS has apparently been supportive of these initiatives and is exploring whether block grant funds might be used to support this reporting system. There are some indications that States are working together in developing similar reporting approaches for other block grants as well. It is too early to tell if this approach will produce sufficient information needed for national policy-making.

Role of audit

With the great reduction in information available through the application and reporting processes, the audit has become a primary vehicle for assessing compliance with Federal law. As part of our transition study, we have been discussing with State and Federal officials how they plan to audit block grant funds.

Plans are underway to develop such audit strategies, and many questions have arisen concerning what will be required to satisfy the block grant audit requirements. These questions include the relationship between the single entity, or organization-wide, audit and the scope of audit coverage required for the block grants. To resolve these issues we plan to work with all interested and affected parties in Federal, State, and local government and the private sector.

While the principal audit responsibilities lie with the States, the authorizing legislation for the block grants calls upon GAO periodically to perform audits and program reviews. We are developing plans to fulfill these responsibilities and review the mechanisms States use to ensure accountability for block grant funds.

As you know, we have been working with many groups over the years to improve the scope and quality of audits for Federally assisted activities. Improvements have been made, but much remains to be done. I am confident that our future efforts in the audit and accountability area will lead to steady improvement.

CONCLUSION

I have concentrated on what I consider to be the major issues emerging from our preliminary work. I am sure that we will have a number of other observations and, as our study progresses, we will keep this Committee fully informed.

That completes my formal statement. My colleagues and I would be pleased to respond to any questions.

Chairman ROTH. Dr. Rivlin, will you please come forward? We are delighted to have you here again.

TESTIMONY OF ALICE M. RIVLIN, DIRECTOR, CONGRESSIONAL BUDGET OFFICE

Ms. RIVLIN. I am delighted to be here, Mr. Chairman, as you wrestle with these tough issues, all aspects of which, I think, came out in the questioning of the previous witnesses.

Let me go through my statement quite quickly in the interest of time. I think it should be remembered that we got into this situation for good reasons. There were reasons why the Federal Government felt that it had to take on increasing responsibilities with respect to State and local governments. It was felt, and rightly so, that different jurisdictions had unequal resources; that not all States and localities were equally responsive to their citizens; that many governments lacked the administrative capacity to take on certain kinds of programs; and that there were programs in the national interest, such as an interstate highway program that individual States had little incentive to address.

For these and other reasons, we have, had over the last 20 years or so, an enormous increase in two kinds of programs: Federal funding for individual benefits that pass through the States; and Federal financing for an enormous number of State and local services.

Dissatisfaction with this system has grown over the years. Those of us who have worked in and around it for 20 years have felt this growth of dissatisfaction. I served as an assistant secretary of the then Department of Health Education and Welfare 15 years ago. Even then we were terribly concerned that there were too many programs; that the system was getting out of hand; that it wasn't possible to run all these programs well from Washington. Since then it has gotten worse.

So I think the administration is to be strongly commended for starting the debate about which level of government is most appropriate to do what and about how both the administrative and the financial responsibilities should be shared.

There are different considerations that go into thinking about the benefit payments for individuals, as in AFDC and medicaid, and food stamps, and the general delivery of Government services. There is no obvious way to do it, as I believe Senator Danforth brought out in the earlier questioning.

With respect to the benefits to individuals, one has to weigh the desirability of having a national standard, or at least a minimum standard, against the moving of responsibilities to where people actually live, which might improve the administration of the program.

Moving full financial responsibility for the AFDC program to the Federal Government would, permit uniform national standards to be established, and it would remove from the States the burden of added program costs during the economic downturns. On the other hand, fully federalizing AFDC with a uniform payment standard would either reduce benefit levels in some States or substantially increase total program costs, depending on the level at which the national standard was set. Shifting full responsibility for AFDC to the States, as the administration has proposed, might increase somewhat the incentives the States now have to reduce fraud and abuse, but it also could increase the disparities among States in benefit levels with the possible difficulties that would ensue from that.

Fully federalizing medicaid, as the administration has proposed, could reduce benefit differentials, but it would also reduce the cost-control efforts that many States have been pursuing. Shifting full responsibility for medicaid to the States, by contrast, would increase cost-control incentives since they would then benefit from keeping the costs down, but it could also increase benefit differentials and might result in substantial benefit reductions in some States.

Another approach within this general area would be for the Federal Government to assume the costs of both income assistance and medical care for the elderly and disabled and for the States to bear the costs of the remaining portion of the low-income population. Such a division would protect States from the financial burden that might result from the projected increase in the number elderly poor people. On the other hand, granting States full responsibility for serving the nonelderly poor would increase benefit differentials that already exist.

On other Government services, two general criteria are likely to be used in determining what the Federal role ought to be. One is whether direct Federal involvement is necessary to guarantee some minimally acceptable level of service, and that, again, is a judgment call. The second is whether national policy objectives would not otherwise be addressed if the Federal Government were not involved.

Transportation is an example of an area in which the Federal Government has come more and more to fund programs that were largely of local impact, as in local roads and mass transit. I think that transportation is a logical candidate for reduction of Federal effort. The major counterproblem is that some States, especially those with very large cities, or some cities would find it difficult to pick up the full burden of mass transit.

Elementary and secondary education is another area that almost everybody agrees should be basically a State and local responsibility. In this case, the role of the Federal Government has been mainly to increase services for disadvantaged students. The main problem in the Federal Government moving out of that function would be whether services would be reduced for that group of students.

Turning to the question of how do you finance it, there are basically two possibilities: one is the possibility of turning back some tax sources to the States and the other is the possibility of revenue sharing. Eliminating or reducing certain Federal taxes so that other governments could pick them up would provide maximum flexibility for States and localities in determining what level of services they wish to offer and how to finance them. It would also insure that the government in which the spending authority resided bore the political costs of raising the necessary revenues. On the other hand, this approach does nothing to address the difference in the fiscal capacities of States and localities. Indeed, given the uneven distribution of certain revenue sources in certain States, it could increase rather than diminish fiscal disparity.

Such disparities would probably be especially severe in the case of the windfall profits tax on oil, which is one of those proposed by the administration to help fund the turnback of programs. Because many States do not have the option of taxing energy, they would have to find alternative revenue sources. Moreover, as currently specified, the administration's proposal would rely on the windfall profits tax for 60 percent of all revenues designated to fund the turnback of operations in 1984. If the proposed temporary trust fund was continued beyond 1991, the windfall profits tax might have to be extended past its scheduled expiration date or some alternative revenue source found.

The alternative, of course, is revenue sharing of some sort. In a sense, that is what Senator Durenberger is proposing—an earmarking on a permanent basis of a portion of the income tax.

The administration's proposal would realine numerous Government responsibilities while providing a temporary revenue sharing trust fund to assure that no State's total financial burden would either increase or decrease when the plan was implemented. The administration's estimates assume, however, that further spending cuts will be made before the programs are realined. Using the administration's estimate, the Federal Government would take on $19.1 billion in additional medicaid costs in 1984, while States and localities together would take on an additional $46.7 billion in program costs—$16.5 billion for food stamps and AFDC plus $30.2 billion for the turnback programs. The net additional State and local expense would amount to $27.6 billion, which would be made up through a $28 million trust fund financed with revenues from selected excise taxes and a portion of the revenues from the windfall profits tax on oil.

Unfortunately, as we reestimate the numbers under somewhat different assumptions it does not work out quite that neatly. The CBO has estimated the net impact on States and localities based on current policy projections that assume program funding will increase with inflation, except where capped by law. In this case, States and localities would take on $62 billion in additional expenses—$20.6 billion for public assistance programs and $41.4 billion for the turnback programs.

When balanced against the Federal takeover of the State share of medicaid, the net additional burden on the States and localities would thus be $42.9 billion. That amount is nearly $15 billion more than the administration's trust fund estimate, and $10.8 billion more than what we estimate would be available to the trust fund even if you put in all of the revenues from the windfall profits tax.

Those numbers are detailed in table 1.

So the problem is, really, how to make the numbers add up because their adding up depends very heavily on cutting the programs that are being turned back first.

In conclusion, the present system of Federal grants-in-aid which grew up over many years presents very serious concerns. I think the committee has embarked on one of the interesting and important debates that you are likely to have here in some years.

Thank you, Mr. Chairman.

Chairman ROTH. I take it, Alice, that in concept you agree that there is merit to the idea of trying to sort out responsibility with different levels of government, taking, at least in some areas, primary responsibility?

Ms. RIVLIN. Oh, absolutely. You used the phrase "crisis in management" earlier, Mr. Chairman, and I think that is not an exaggeration. We have evolved a system that badly needs repairing.

Chairman ROTH. You heard me ask earlier a question about how do we build in some controls to keep programs from exploding out of control. I think, as the Director of the Budget Office, you probably, would agree with me that one of our problems today is that the great growth in Government, including defense, just goes beyond our anticipation of a few years ago.

What can we do? It makes no difference if the Federal Government takes over health programs, or takes over welfare or some other programs. What kind of controls can we build in it that keep them from being subject to such political pressure that they do, as I say, explode and cause these kinds of deficits we are now wrestling with? Do you have some thoughts on that?

Ms. RIVLIN. I think there is no ultimate answer to that except the responsibility of the Congress to the voters.

A mechanical scheme may backfire. Consider, for example, the indexing of social security. If you remember, the reason for indexing social security was the concern that the program was growing too rapidly and that the Congress was increasing the benefits every 2 years by more than the cost of living. In those days of relatively low inflation, it seemed like a good control move to say, "We will index the cost of living." Circumstances changed, however, inflation increased, and now we have cost-of-living increases that are part of the reason for the program's rapid growth.

So I am not sure there is any magic answer to the problem. In general, it would help if the level of government that was providing the service were the one that had to raise the taxes.

At the Federal level, the budget process itself forces the Congress to look at both the spending and the revenue sides of the budget at the same time. This has certainly enhanced the ability of the Congress to exert control, one would hope.

Chairman ROTH. Do you think our experience on social security, the fact that it is self-financing, is a sound concept?

Ms. RIVLIN. It is not a concept that I would like to see spread over the entire Government so that we have particular taxes for particular benefits. I think that could get us into some problems. The highway trust fund provides an example. In the days when the trust fund was increasing rapidly, we may have gotten more highways than would have occurred if they had been financed from general revenues rather than from trust fund. So I am not a big enthusiast of trust fund financing. I think there is no substitute for the Congress sitting down and saying, "Look, what are the things we want to do, and what are the revenues that we have to pay for these things, and how do we put these together?"

Chairman ROTH. One of the troublesome aspects of federalism is the fact that it will have to be implemented through changes in the

Federal statute which, of course, can be altered by future Congresses.

This means that if the States and localities reach agreement on a federalism, they have no real assurance that we will keep the terms of the proposal here.

Do you feel that it might be desirable to try to develop some kind of a compact between the States and the Federal Government as to maintaining the framework of the New Federalism?

Ms. RIVLIN. It is hard for me to imagine a compact which would do that and not run the risk of setting in concrete something that might well outlive its historical usefulness. Anything that comes out of this Congress or the next one in terms of realinement of responsibilities, I believe, will need to be rethought in 10 or 15 years.

Chairman ROTH. I don't think you could talk about a constitutional amendment; obviously, future Congresses have to have discretion, as well.

But it could be a problem or at least there might be some general outlines of agreement to try to reach that.

I would be interested if you have the opportunity to review this proposal if you have any further thought on that.

Senator Mattingly?

Senator MATTINGLY. What problems do you see with the policy we have been talking about with the Federal Government assuming the medical costs and income assistance for the disabled?

Ms. RIVLIN. I think that is a possible way to go. The difficulty I see with it is the same as the difficulty I would see with the State assumption of AFDC and food stamps in general. If the States are to take over the programs of service to the nonelderly, disabled, low-income population, there is the risk that you will end up with very disparate benefit levels—more disparity than we have now—and that this could cause problems. I am not as worried about migration as perhaps the Comptroller General is, but it should not be ruled out as a problem. The basic problem is whether we get bigger disparities in the treatment of the nonaged, nondisabled poor than we really think are desirable.

Senator MATTINGLY. You think there can be "fairness and equity" in establishing the program?

Ms. RIVLIN. Fairness and equity in establishing——

Senator MATTINGLY. In other words, could there be a "fair" return to the States; any part of the federalism transfer; do you think there would be fairness?

Ms. RIVLIN. Oh, yes. It is not an easy question to work out, as everybody is seeing. I would suggest that there are really two stages: One is easing the transition, you really want no State to have to take on an enormous additional burden quickly.

The second question is, What do you ultimately want to have happen? To what extent should the Federal Government be equalizing resources among States? Such equalizing can be more easily done by revenue sharing than by turnbacks of tax sources.

Senator MATTINGLY. Don't you think it would be easier to use the revenue sharing method than the method we are currently using, where the States come up to compete and walk into everybody's offices here to make sure they are going to get their fair share of the pie, which, I am sure, they never do really succeed in doing?

Ms. Rivlin. You have the same problem with devising a fair revenue sharing problem. The advantage is you only have to do it once.

Senator Mattingly. Thank you.

Chairman Roth. Senator Cohen?

Senator Cohen. The Chairman asked you how do you build in controls to prevent an explosion of programs. I think the easiest answer is to simply control Congress, because we are the ones who are really responsible for the explosion of programs, right?

Ms. Rivlin. Yes, I think that is right. There is no other way that I can think of, no mechanical device.

Chairman Roth. Would the Senator yield just for a comment, because there have been a number of studies made. In concept, I agree with you, but there are those pessimists who think that in a democracy it is very difficult to exercise that political judgment. I think it is an easy answer to say that the hard political decision should be made, but certainly the experience in this country and by some of the leading observers at Harvard and elsewhere is that has not been a very effective control.

Senator Cohen. I think it was David Stockman who used the unfortunate phrase, in an unfortunate article, of "hogs feeding at the trough" during a debate on the tax bill last year.

Although we questioned the wisdom of releasing the statement, I don't think anyone would question the truth of what he had to say. The fact of the matter is that exactly what happened during that debate has taken place over the years.

I can point to programs like the EDA, a very nobly conceived program that dealt with impoverished areas, and what happened? We spread it out to every part of the country because everybody wanted a piece of the action to go back home.

There are two ways to control the explosion of programs. You can divest the authority of the Congress to deal with them, which is in essence what we are talking about, or we can restrict the exercise of authority with a mechanism such as a constitutional amendment for a balanced budget.

I am not clear as to exactly what you said with respect to the balanced budget constitutional amendment.

Ms. Rivlin. I have never been a big enthusiast of writing a balanced budget into the Constitution for two reasons: The first is it is very hard to draft an amendment that allows for all the contingencies such as war or a sudden recession in which you might not want a balanced budget—and still is effective. The second reason is that, if you do write it into the Constitution you invite various devices to go around the requirement by having off-budget agencies or doing things by regulation rather than in the budget.

I am afraid that the Congress would end up with less control over what the Government was doing rather than more. That is not an argument against a balanced budget; it is just an argument against achieving it through the constitutional route.

Again, there is no substitute for the Congress doing it.

Senator Cohen. Has anything in your vast experience of working with the Government given you optimism about the ability of Congress to discipline itself so as to have a balanced budget without some external means of enforcement?

Ms. Rivlin. I am very hopeful that you may move very strongly in this next year. Don't sell yourself short.

Senator Cohen. We are about $130 billion short right now. [Laughter.]

Ms. Rivlin. You took very strong action to cut the rate of growth in domestic spending last year, and that, I think, should be a very great success for congressional control.

Senator Cohen. And we took equally strong action in expanding the revenue loss than that originally conceived by the President even in his own program.

Ms. Rivlin. That is true, and you created a big problem. I just have faith in your ability to solve it.

Senator Cohen. The essence of what we are doing then, is really divesting the Congress of a measure of authority as one way to go in reducing this capacity that we have to yield to temptation at almost every turn to satisfy political demands made upon us.

Ms. Rivlin. That is right, but it should be remembered that moving responsibility for various kinds of programs to States or localities does not change the problem; it just changes the locus of the political pressure.

Senator Cohen. That is exactly right.

Chairman Roth. Senator Danforth?

Senator Danforth. Supposing that this committee decided that it was enthusiastically supportive of the New Federalism, and further that we felt that the basic welfare programs should be run by Washington and financed out of Washington, not out of States.

How would you devise a program that would be counteroffer to the President's proposal?

Ms. Rivlin. That would bear a good deal of thought, but it certainly is not impossible. One could imagine a single national income maintenance system of some sort, presumably replacing AFDC and food stamps. Then one would be arguing the same thing that was argued about negative income tax; namely, that it should be a national standard. I think that is impossible given the disparities in the standards of living in various parts of the country now. One would end up probably with a national minimum with adjustments for local standards of living, local wage levels, or local cost levels. Then one would have to sort out, and perhaps roughly commensurate in size, the list of the Government grant programs for services that would, then, be turned back to the States in compensation.

Senator Danforth. Wouldn't that be a worthwhile exercise?

Ms. Rivlin. Oh, yes. I think all kinds of options like that should be seriously considered and costed out and their merits debated.

Senator Danforth. Thank you, Mr. Chairman.

Chairman Roth. Are there any further questions?

Senator Cohen. No.

Senator Mattingly. No.

Chairman Roth. Thank you, Dr. Rivlin. We appreciate your being here.

Ms. Rivlin. Thank you. If there is anything else we can do for you, let us know.

Chairman Roth. Again, I would urge you to give some thought to the question posed by Senator Danforth. I think we would all be interested in it. I also would urge you to give further thought as to whether or not there are any kinds of controls that will help to prevent the explosive growth of these programs

Certainly, we can look with a certain amount of satisfaction on the last few years; it took almost a crisis to get us to do anything about these.

I don't think that is a very effective way to run government.

Thank you.

Ms. RIVLIN. We will think about it.

[The prepared statement of Ms. Rivlin follows.]

PREPARED STATEMENT OF ALICE M. RIVLIN

Mr. Chairman, the Administration recently proposed a substantial reordering of responsibilities between the federal government and states and localities. That proposal--like others that have been made--arises out of a growing concern with the present system of federal grants-in-aid to other levels of government. My remarks today will cover two topics:

- First, how and why the present system evolved; and
- Second, how the Congress might now want to rethink the division of responsibilities among different levels of government.

THE EVOLUTION OF THE PRESENT SYSTEM

The present system of grants-in-aid grew up over many years in response to several widely held concerns regarding the delivery of state and local services:

- First, that different jurisdictions had seriously unequal resources with which to address their residents' needs;
- Second, that not all states and localities were equally responsive to the needs of their citizens--particularly the poor and minorities;
- Third, that many governments lacked the administrative capacity to assume full responsibility for providing certain types of services; and
- Finally, that individual jurisdictions lacked the incentive to address certain national policy objectives, such as developing a nationwide transportation network or dealing with interstate air and water pollution.

To address those problems, over the last two decades a large and complex system of grants has developed, including both programs that pay cash or in-kind benefits to individuals (such as Aid to Families with Dependent Children and Medicaid) and programs that finance other government services. Through 1978, spending for both types of grants increased substantially in real terms. Since then, however, spending for general service grants has declined in real terms and, since 1980, has fallen in nominal terms as well. Even so, total spending for all grants amounted to $95 billion in 1981--an increase of more than 300 percent in real terms from the 1960 level of $7 billion. As a consequence of this growth, states and localities have become increasingly dependent on the federal government, with federal grants-in-aid growing from 15 percent of all state and local government expenditures in 1960 to about one-quarter of all expenditures in 1981. The scope of federal involvement also expanded greatly during this time. In 1960, more than 80 percent of all grant funds went for transportation and income security. Today, federal grants touch heavily on virtually every state and local activity.

While some of the concerns that gave rise to this growth in grants remain, others--particularly regarding the administrative capabilities of states--have lessened. At the same time, the federal grant system itself is now increasingly perceived as presenting serious problems. Among these are the sheer number of often-overlapping programs; the amount of regulation attached to many of the programs; the potential conflict between federal and local priorities; and finally, the difficulty of designing a single national program flexible enough to address unique local circumstances.

This dissatisfaction with the present system has prompted a number of recent actions to reduce federal intervention into state and local affairs. Since the mid-1970s, for example, narrow-purpose categorical grants in several areas have been consolidated into less restrictive block grants. Similarly, a growing awareness that federal actions can impose substantial costs on states and localities led last year to legislation requiring the Congressional Budget Office to provide estimates of such costs for bills expected to have significant impacts.

RETHINKING THE CURRENT SYSTEM

Changing circumstances and perceptions have also led increasing numbers of persons to question the whole division of responsibilities between the federal government and states and localities.

From this point of view, the overriding question is: Is there a national interest in a given level or type of government activity? Where a national interest does exist, other questions include: At what level of government should standards for the delivery of the service or benefit be set? What government should administer the program? Who should bear the cost?

Realigning Responsiblities

In the case of programs that provide cash or in-kind benefits (such as medical services) to individuals, the question of the desirability of uniform benefit standards may be particularly important. For programs that finance other government services, variation in the ways different localities provide these services may be more generally accepted, and the principal question may be whether federal involvement is necessary to ensure that a service is provided at all or at a minimally acceptable level.

Benefit Payments for Individuals. More than two-fifths of all federal funds channeled through states and localities support benefit payments for individuals. Aid to Families with Dependent Children (AFDC) and Medicaid together are expected to account for more than half of all direct benefit grants in 1982. Under both of these programs, the federal government pays slightly more than half of all costs, while the states administer the programs and have wide latitude in determining benefit levels, especially for AFDC. This leads to widely varying benefit standards.

Moving full financial responsibility for the AFDC program to the federal government would permit uniform national standards to be established and would remove from states the burden of added program costs during economic downturns. On the other hand, fully federalizing AFDC with a uniform payment standard would either reduce benefit levels in some states or substantially increase total program costs, depending on the level at which the nationwide standard was set. Shifting full responsibility for AFDC to the states--as the Administration has proposed--might increase somewhat the incentives that states now have to reduce fraud and abuse, but could also increase disparities among states in benefit levels.

Fully federalizing Medicaid--as the Administration has proposed--could reduce benefit differentials but would also likely diminish the cost-control efforts many states have been pursuing. Shifting full responsibility to the states, by contrast, would increase cost-control incentives, but could also increase benefit differentials and might result in substantial benefit reductions in some areas.

Another approach would be for the federal government to assume the costs of both income assistance and medical care for the elderly and disabled, and for the states to bear the costs for the remaining portion of the low-income population. Such a division would protect states from the financial burden that might otherwise result from the projected increase in the number of elderly poor persons over the next several decades. On the other hand, granting states full responsibility for serving the non-elderly poor could increase benefit differentials that already exist.

Other Government Services. Two general criteria are likely to be used in determining what the federal role should be in the delivery of other public services: first, whether direct federal involvement is necessary to guarantee some minimally acceptable level of services (either for all citizens or for some designated subgroup) and, second, whether certain national policy objectives would otherwise not be addressed. How these criteria might be applied--and the difficult judgments required--can be seen through a few examples.

Transportation is one field in which the line between federal and state responsibilities has become increasingly blurred in recent years. Large federal capital and operating assistance programs have been created for mass transit, and almost half of all federal highway funds go to roads of primarily local importance. Allowing states and localities to assume responsibility for most mass transit and noninterstate highways--as proposed by the Administration--would free those governments from federal constraints on design standards and labor agreements, while placing responsibility for financing services with the jurisdictions that realize virtually all of the benefits. For many states and metropolitan areas, however, the additional financial burden would be great.

The federal government also helps finance elementary and secondary education--an area that almost everyone views as primarily a state and local responsibility. In this instance, most federal aid is intended to increase services for certain disadvantaged groups. Other programs, however--most notably the Chapter II block grant created last year--provide largely untargeted assistance that could probably be eliminated without seriously jeopardizing services for disadvantaged students.

Federal wastewater treatment grants are an example of aid designed to help localities address a problem that often crosses the boundaries of the jurisdiction in which it originates. Eliminating such federal grants might, therefore, make some states and localities slower to deal with certain of their pollution sources. The risk would be especially great if--as the Administration has also proposed--the power to enforce water cleanliness standards was also shifted away from the federal government with no provision for interstate coordination.

Fiscal Assistance Alternatives

While returning to states and localities the full responsibility for providing certain public services would reduce federal intervention in their affairs, it could also leave them with seriously diminished resources with which to meet those responsibilities. Thus, any broad realignment plan might also include some provision for enhancing the resources of other governments--either temporarily or permanently--in compensation for the loss of program-specific aid. Two general approaches are available: eliminating or reducing certain federal taxes, and providing revenue sharing.

Eliminating or Reducing Certain Federal Taxes.

Eliminating or reducing certain federal taxes, so that other governments could pick them up if they chose to, would provide maximum flexibility for states and localities in determining what level of services they wished to offer and how to finance them. It would also ensure that the government at which the spending authority resided bore the political costs of raising the necessary revenues. On the other hand, this approach would do nothing to address differences in the fiscal capacities of states and localities. Indeed, given the uneven distribution of certain revenue sources among states, it could increase rather than diminish fiscal disparities, depending on what revenue sources the federal government vacated.

Such disparities would probably be especially severe in the case of the windfall profits tax on oil--one of those proposed by the Administration to help fund the turnback of programs. Because many states would not have the option of taxing energy, they would have to find alternative revenue sources. Moreover, as currently specified, the Administration's proposal would rely on the windfall profits tax for 60 percent of all revenues designated to fund the turnback of programs in 1984. If the proposed temporary trust fund was continued beyond 1991, the windfall profits tax might have to be extended past its scheduled expiration date, or some alternative revenue source found.

Providing Revenue Sharing. Alternatively, the federal government could continue to raise revenues and then distribute them among states and localities through an expanded program of general revenue sharing. In contrast to merely reducing federal taxes, revenue sharing could be used to help alleviate disparities in the fiscal capacities of states and localities by providing the largest allocations to those jurisdictions with the fewest resources of their own. Revenue sharing would also permit the federal government to maintain some leverage over the activities of other levels of government, even after a specific program had been terminated. On the other hand, this approach would weaken the link between taxing and spending responsibilities.

Net Fiscal Effect of the Administration's Proposal. The Administration's federalism proposal would realign numerous government responsibilites, while providing a temporary revenue sharing trust fund to assure that no state's total financial burden would either increase or decrease when the plan was implemented in 1984. The Administration's estimates assume, however, that further spending cuts will be made before programs are realigned. Using the Administration's estimates, the federal government would take on $19.1 billion in additional Medicaid costs in 1984, while states and localities together would take over an additional $46.7

billion in program costs--$16.5 billion for Food Stamps and AFDC plus $30.2 billion for the "turnback" programs. The net additional state and local expense would thus amount to $27.6 billion that would be made up through a $28 billion trust fund financed with revenues from selected excise taxes and a portion of the revenues from the windfall profits tax on oil.

The Congressional Budget Office has estimated the net fiscal impact on the states and localities, based on current policy projections that assume program funding will increase with inflation, except where capped by law (see Table 1). In this case, the states and localities would take on $62 billion in additional expenses--$20.6 billion for public assistance programs and $41.4 billion for the turnback programs. When balanced against the federal takeover of the state share of Medicaid, the net additional burden on the states and localities would be $42.9 billion. That amount is nearly $15 billion more than the Administration's trust fund estimate; it is $10.8 billion more than the $32.1 billion that CBO estimates would be available if all revenues from the windfall profits tax were included in the trust fund as well as revenues from the selected excise taxes.

TABLE 1. PROJECTED FUNDING FOR PROGRAMS INVOLVED IN THE ADMINISTRATION'S FEDERALISM INITIATIVE (In billions of dollars)

	1982 Funding Level	1984 Administration Baseline[a]	1984 CBO Current Policy Projection[b]
Shifted to Federal Level (Medicaid state share)	15.4	19.1c	19.1
Shifted to States and Localities			
Public assistance	18.6	16.5	20.6
Food Stamps	(10.5)	(9.6)	(12.1)
AFDC federal share	(8.1)	(6.7)	(8.6)
Turnback programs	35.8	30.2	41.4
Total	54.4	46.7	62.0
Net Cost of Programs Shifted to States and Localities		27.6	42.9

NOTES: Figures for Medicaid, Food Stamps, and AFDC are outlays. Figures for turnback programs are budget authority levels. Figures for Puerto Rico and the territories are excluded. Components may not sum to totals because of rounding.

a. Administration estimates, including effects of funding reductions proposed but not yet enacted. The Administration's treatment of administrative expenses may not be consistent with CBO's treatment.

b. Congressional Budget Office projections based on Congressional actions completed through the first session of the 97th Congress.

c. Figure does not include effects of Medicaid changes proposed by the Administration for 1983.

CONCLUSION

In summary, the present system of federal grants-in-aid grew up over many years in response to a set of serious concerns. As circumstances have changed, however, the focus of the federalism debate has changed as well. Interest first shifted from expanding the direct federal role in financing a wide range of public services to consolidating categorical programs. More recently, attention has turned to disengaging the federal government from the affairs of states and localities. The Congress faces numerous difficult tradeoffs as it considers how to lessen direct federal involvement without jeopardizing essential services or leaving other governments without sufficient resources to meet their expanded responsibilities.

Chairman ROTH. Could Carl Stenberg and David Walker and John Shannon please come forward?

I am delighted to welcome you here. Certainly, the Advisory Commission on Intergovernmental Relations has been in the forefront in this matter of how we can better structure Government to provide services. I might just make one comment: To me, what we are talking about is not merely more efficiency, but more importantly, it seems to me, is how do we provide better services?

That should be our basic goal in what we are trying to do here. Your Commission has been involved in some long-term in-depth studies on this very issue that the President proposed. I congratulate you for the leadership you have provided.

I invite you now to proceed.

TESTIMONY OF CARL STENBERG, ACTING EXECUTIVE DIRECTOR, ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS, ACCOMPANIED BY DAVID WALKER, AND JOHN SHANNON, ASSISTANT DIRECTORS.

Mr. STENBERG. Thank you, Mr. Chairman. We wish to commend you as chairman of this committee and, of course, a member of the Advisory Commission on Intergovernmental Relations, for calling these hearings and for allowing us to present the findings and recommendations of the ACIR as they relate to the President's New Federalism proposals.

President Reagan in his first state of the Union address in January quoted the work of the Commission in his argument for restructuring American federalism.

As you will probably recall, he said,

> The Federal government's influence and activities have become more pervasive, more intrusive, more unmanageable, more ineffective, most costly, and above all, more unaccountable.

Underlying the President's New Federalism initiative is the belief that American federalism is in trouble. This was also the conclusion of the ACIR. The virtually unrestrained growth of the Federal role in the Federal system has resulted in an overloaded federalism. The Federal role, especially over the last 20 years, in our view, has grown bigger, broader and deeper from the standpoints of the scope of Federal programs; the number of participating jurisdictions; and the extent of Federal influence over State and local activities.

At the same time, the ACIR does recognize the positive effects of some of the expansions in the Federal role. But we question the effectiveness of the bewildering network now characterized as intergovernmental relations.

Last year may well come to be seen as a period of transition from a federally dominated form of federalism to what hopefully will become a more balanced system. Just how to rebalance federalism became the question of the day and remains the question of the day.

The President has set the stage for a debate. A debate on federalism—one that, I might point out, has not been conducted in this country for at least half a century—needs to address these questions which you have raised, Senator:

Which level of government should be responsible for what functions? Which level of government should pay the bill for public services? Which levels of government should be held accountable? This is what the terms "sorting out," "trading off", and "swapping" are all about.

This, in brief, is ACIR's diagnosis of the problem. For the Commission's recommendations, with your permission, I would like to turn to Dr. Walker and Dr. Shannon, who have guided ACIR's research on these matters for the past several years.

Mr. **Walker**. The centerpiece of the Commission's agenda to restore balance to federalism, of course, is the whole idea of a functional "trade-off", a "big swap," if you will.

The idea of a great swap in functional responsibilities did not happen overnight. It was built on years of careful research and past recommendations. Since 1969, or 13 years ago, the Commission has urged Federal assumption of welfare programs and medicaid. In 1980, 2 years ago, the Commission said that Federal assumption of these and possibly other basic responsibilities should be accompanied by a major sorting out of assignments in other areas. I should inject here, Mr. Chairman, that in our view, we are not seeking to go back to a "layer cake." We are completely cognizant that there are fundamental responsibilities that after any major swap-off would still be intergovernmental in nature.

Basic to the ACIR's recommendation to sort out the Federal system is the idea, obviously, of a basic division of labor amongst the levels of government. Accordingly—and here are some criteria that helps us in sorting out—the Federal Government should be involved in those domestic activities which have: One, a clear and essential federal purpose. This obviously would exclude an array of project grants that emerged over the past 20 years which are obviously parochial, local, and in many instances, overtly, private sector in nature.

Second, it would be involved in a situation where you have a program history in which Federal initiatives and involvement have been concerted and predominant as in the areas of medical insurance and welfare; and third, where there has been heavy Federal funding relative to the State and local funding situation.

With the last factor, there are two dimensions: First, either the Federal percentage of the total of outlays for a program would be small as in the case of primary and secondary education, that would amount to no more than 6 to 7 percent from 1967 to the present; second the Federal grant outlay would be small. In 1980 we had almost 400 puny programs that aggregated to less than $8 million. On the face of it, these amounts suggest that their impact was minimal to nothing.

By mid-1981 it became clear, perhaps, that the Commission's strategy to decongest the Federal aid system via a tradeoff of functional responsibilities might be combined with tax turnbacks.

At its October 1981 meeting, the Commission directed staff to examine the broadest possible range of tax and program responsible turnbacks.

Commission assistance in the development of the tax turnback alternatives was also requested by the President's Cabinet Council Working Group of Revenue Source Return.

In response to the Commission's directive and the White House's request, the ACIR staff examined some 60 possible combinations of revenue or tax turnbacks and program tradeoffs. Staff research was readied for the Commission's January 1982 meeting a few months ago, and, at the Commission's direction, was made available to the Members of Congress, key executive branch officials, as well as other interested parties.

A second basic thrust, other than the decongestion proposal with its swapoff and the possible revenue turnback components is that the Commission has also urged a significant reduction in the intergovernmental regulatory burden on State and local governments. This subject is one which is still in the midst of significant research, even though we have made a few recommendations thus far.

Third, other recommendations from the Federal role study include a strengthening of the two-party system, calling a national convocation to address the issues and problems confronting federalism—which may seem a bit dated at this point, in light of what has happened since 1980—and clarifying the constitutional process.

This last issue is still very topical, since 31 States now, and two more in the offing, have petitioned the Congress to call a convention to consider a balanced budget constitutional amendment.

I also would like to raise some of the issues brought up directly as a result of the President's actions, the Congress' actions last year, as well as the proposed dimensions of the New Federalism.

No less than a new era in intergovernmental relations is beginning. Out of this some basic questions arise in connection with trends already discussed before. First there is the issue of State capacity discussed somewhat with the Comptroller General. Are the

States ready to handle the increased responsibilities a more State-oriented federalism would bring? Just a couple of decades ago, the States largely deserved much of the criticism directed their way. But ACIR research now shows that the States have been rather drastically transformed during the past 15 to 20 years. In just two decades of unparalleled reform, the States have improved from being federalism's "fallen arches" to what might be called its "arch supports." Their impressive and unprecedented strides forward in the areas of constitutional modernization; executive, legislative and judicial branch reform and administrative and managerial improvements help to explain why assessments of the States are becoming more and more positive. Appended to this statement is a full summary of these improvements recently compiled by our staff.

Yet, caveats remain. Not all States have progressed equally, and all of them could benefit from additional improvement. But they are now much more effective middlemen in the Federal system. They largely fund and heavily administer many of the very programs some wonder if they can handle.

Perhaps the biggest question mark from the Commission's point of view and others' is in the area of State-local relations.

Governor Busbee of Georgia put it succinctly:

> The perception that the Federal Government cares about cities and that the States do not have a number of roots, the most important of which is that it was once true.

Whether it is still true has been the subject of considerable Commission research. The results of our investigations show that 50 State governments have accomplished a great deal via-a-vis their communities in need, but much more could be done.

On a more positive note, States now rank second to the Federal Government as the biggest financers of domestic activities; and that of the high ticket items, States now provide more than half of all local school costs and better than 80 percent of State-local own-source welfare expenditures.

In the past several years, States' actions assisting or broadening local fiscal capacity ran head-on into popular demands for lower taxes and reduced spending—Proposition 13 and the sons and daughters thereof.

State restriction on local revenue sharing and expenditures multiplied, particularly in the latter part of the seventies. State mandates on local governments also grew.

The rise of State mandates was accompanied to a great extent by fiscal note legislation, but in only 12 States are localities reimbursed for the costs of State-imposed requirements. Even here, the compliance is rather mixed.

Local officials, then, looking at both the new Federalism and the record of the States, have a number of concerns about an increasingly State-oriented federalism.

First, they want to know whether their communities will receive a fair share of resources under the block grants as well as the swap or turnback components of the President's program.

Second, there is an area of concern involving whether the discretion that the block grant, the regulatory relief, and sorting out initiatives seek to give local units will be reinforced or, in effect, thwarted by the States. Federal rules, regulations and requirements could reappear as States attempt to insure that statewide objectives and priorities are being carried out and that public funds are being properly spent.

Third is the local concern, we believe, with the extent of the States' philosophical commitment to shoulder more management and middlemen responsibilities. While the verdict will be out for some time on the questions raised by the New Federalism initiatives, one of the most important consequences could be a mending, hopefully, of State-local fences, too long in a state of disrepair. Local governments, in particular, have become dangerously dependent on intergovernmental revenue sources, in our Commission's view, and may need, especially in the decade ahead, structural reform if they are to solve the mismatch that all too often occurs between needs and resources at the local level.

Here, I would like to turn to my colleague, Dr. Shannon, to complete our statement.

Mr. SHANNON. I will briefly discuss, Mr. Chairman, a concern that certainly has been raised here in the hearing and that is the growing differences between the rich States and the poor States and how that is handled in a New Federalism framework..

There are basically three factors that are pushing this interest. The first has to do with what I would say is a technical reason: The current inadequacy of the indicator that the Congress now uses for measuring the tax wealth of the 50 States.

We use per capita income, which is a proxy for tax wealth. But, it is becoming increasingly apparent that that yardstick radically understates the tax wealth of the energy-rich States and it tends to overstate the economic fortunes of the declining States in the north, the east, and the midwest.

So that is one concern that is pushing this issue. The second one, of course, is the economic; we do see a growing disparity, if you want to put it that way, in the wealth of the energy rich and the energy-poor States. That is No. 2.

No. 3 is what I would characterize as the political concern. It spins right out of your New Federalism concepts. As Washington turns back resources to the States, as Washington eliminates categorical aid programs, the concern for the differences between rich States and poor States is obviously going to become more acute.

I would say that one of the big pluses of this whole New Federalism debate is that it will force Congress to explicitly take a hard look at the rich State/poor State problem, that was fuzzed over as long as we had plethora of over 500 categorical aid programs.

So as the categoricals disappear, the Congress of the United States will have to roll up its sleeves and do a better job with respect to equalizing resources.

This concludes our oral testimony, Mr. Chairman.

Chairman ROTH. Thank you, gentlemen. Let me address your point of the rich State/poor State situation. Would some kind of a severance tax on energy equalize that problem? Would that be one way of addressing it, or would you comment?

Mr. **Shannon**. It certainly would; if the National Government used the proceeds from a resource revenue instrument and then spread that across the 50 States, the answer is yes.

Chairman **Roth**. You heard my earlier concern about how do we keep whatever we take over from exploding in the future. I recognize that basically that Alice Rivlin is right. We have to depend on the political process to maintain control of the Federal budget.

At the same time, there is no question that the larger the constituency, the more difficult it is for political processes to exert an effective control.

Have you given any thought, if the Federal Government should take over welfare or health or some other areas, which would include millions of people, do you have any suggestions as to what steps might be taken to try to insure that we act responsibly and make sure that there are adequate revenues for that purpose?

Mr. **Walker**. The ordinary budget processes at this point ought to be sufficient. They would be a point where some control should be exercised.

It perhaps is significant to note that even under the intergovernmental arrangements we have had, major expansions occurred. The interest groups behind the intergovernmental programs have been no less energetic than those that are behind directly federally administered and financed programs.

Chairman **Roth**. Isn't it a fact that many of the categorical programs were heartily adopted in an effort to promote spending in those areas; there was felt a need and so that the State and local interest groups were really reflecting what we were trying to or what Congress was trying to create.

Mr. **Walker**. The purpose certainly, of the grants enacted prior to 1960, and of the major grants enacted in the sixties and early seventies was to stimulate greater State and local government outlays in the aided program areas. That purpose became something muted by the late seventies, I would say.

Chairman **Roth**. Dr. Walker, in your testimony, if I understood you correctly, you made some reference to the percentage of the contribution to the Federal Government in some areas has been relatively small; I think 6 or 7 percent was what you used.

At the same time, hasn't the Federal Government used that to impose not only their regulations but their concepts of what the State or local activity should undertake whether it is schools or elsewhere? Isn't that part of the criticism that has resulted?

Mr. **Walker**. In that case, the Federal outlays amounted to the 6 to 7 percent of total outlays on an annual basis, since the enactment of ESEA. Meanwhile, the States by 1974 became the senior partner in financing primary and secondary education.

Chairman **Roth**. My time is up, and I am going to have to leave, but I would like to say to you gentlemen that certainly I, for one, am going to be looking to the Advisory Commission for an in-depth analysis and providing alternatives as we proceed. I think there is broad, strong agreement on concept, and as the good Governor says, "If we don't act, then it is going to be taken away from us and done in a constitutional convention."

But I think that what we need to take some hard looks at is the various alternatives, and while we agree in theory, it is much harder to implement. I appreciate the very valued work that your Commission has provided us.

Senator Danforth, I think, will take over, and Senator Mattingly.

Senator DANFORTH [presiding]. Senator Mattingly?

Senator MATTINGLY. With all the testimony we have gotten today, the only way I think there would be total fairness and equity would be for the Federal Government to confiscate all the revenues and appoint us as the new czar of federalism and we will dispense it. That way nobody will be disturbed.

But knowing that is not going to happen, thank goodness, I think the role that the Advisory Commission on Intergovernmental Relations plays is probably going to be the most vital role of any organization. I also hope you would advocate what I am trying to do, which is to expand the role of the ACIR for 2 years by adding 20 members from across this country to that, nonvoting, to get the proper input so we can dispel the comments by some of our more liberal friends of saying, "There is no way it can ever be equitable."

That is why I feel that if you would be supportive of that type of legislation that we would move immediately to expand that role. I would like to hear your comment at this time.

Mr. STENBERG. Fine, Senator. We thank you for your comments on the Commission's role and certainly your interest in our Commission's work.

The Commission has not taken a formal position on the legislation that you have referred to. I am certain that the members would welcome a dialog with you over its relationship to our ongoing research and implementation efforts. Certainly our past experience here is quite relevant, not just in the areas of research that Dr. Walker and Dr. Shannon alluded to, but in the past, we have conducted monitoring exercises, round tables, and regional hearings as part of our effort to obtain input with respect to, in particular, the problems associated with Federal assistance.

We have done work in this area. With respect to their structure and focus of the proposed group, I am not aware of your latest thinking on that. I could say from a staff standpoint that we would certainly welcome the opportunity to continue to work with your staff in tailoring the bill in other appropriate ways.

Senator MATTINGLY. You are oriented to people input, which I think is good. I think the members that you have on the Commission are good. It is just the expansion of the ACIR, especially for this interim period, could add nothing but goodness and insure fairness and equity.

We have had a real good response from your committee and others. In order to insure this cooperation we will put this into legislation to help. I think it would be vitally important.

Senator DANFORTH. Mr. Shannon, let me pursue with you your concern about the——

Senator MATTINGLY. Excuse me. I will leave you alone with them. I have to go also.

Senator DANFORTH [continuing]. Disparity of State revenues. As I understand it, this particular issue does not necessarily pertain to the question of some States having more poor people than other States.

Rather, the question is the ease with which certain States can raise revenues and can bring in the revenues and the difficulty of other States in bringing in the revenues.

If a State has substantial amounts of oil and if it has large revenues resulting from severance taxes and resulting from royalties, the effect of that is twofold: One, that State can be a low tax State with respect to individual income taxes and corporate taxes; and two, that State might have the wherewithal to put together enormously attractive packages and build in plants, tax abatement, whatever, to go to the frost belt States and to pick off the healthier industries in those States so that a disparity in State revenue tends to lead to a disparity in economic resources in the States.

Is that correct, or is that just a theory?

Mr. SHANNON. First of all, it certainly is a well-defined theory. Second, the State legislators and Governors throughout the Nation operate on the basis that that theory is translated into reality. All you have to do is land at the Dallas or the Houston airport and they are advertising and urging business to relocate in that State.

One of their trump cards that is played with great gusto is that the State of Texas has no personal income tax and no corporate income tax. What percent of business locates, moves purely for tax reasons and for other reasons is a topic of continuing debate. But, there is no question but that a favorable business tax climate tends to reinforce other, perhaps more basic considerations, that might impel businesses to locate in low tax States.

Senator DANFORTH. I was involved in this issue at great length and to absolutely no avail on the windfall profits tax. The specific issue was whether or not State royalties should be taxed, but it was really a window on this larger question.

As I recall the numbers that we had at that time, the projection for the State of Texas was that State revenues would increase something like 2½ times in a decade as a result of increased oil prices and that the State of Texas, right now, does not have an individual income tax or a corporate tax.

Therefore, the concern that we attempted to express during the debate of that bill was, "Well, what happens to that additional revenue?"

Here is Texas right now without an income tax, without a corporate tax. What is it going to do with the extra money? When it multiplies the revenues that it has and it is my view that the natural thing for a State to do, when it finds itself with additional revenues, is to broaden its economic base, not to rely solely on energy. The way to broaden its economic base would be to go up to a State such as Missouri and find an industry and say, "Hey, if you move our direction, we will build your plant and you won't have to pay taxes forever," just to put together an enormously attractive package.

Have you found this to be the case?

Mr. SHANNON. There is no question but the tax differential is certainly one of the major factors that plant locaters take into consideration. But obviously, it is only one.

If I were trying to think of reasons why firms would move to Texas, I am reminded of my own uncle, years ago, before World War II; he came back to Wisconsin where he lived at the time and said, "I wouldn't go back to Texas for all the money in the world because of the terrible heat in the summertime."

What has happened is that the air-conditioner has equalized weather conditions throughout the North and the South and I have a hunch that if we probed it, we would find that that technological innovation has probably done much to help the fortunes of Houston and Galveston——

Senator **Danforth**. I don't think the Governmental Affairs Committee is going to take on the air-conditioner. [Laughter.]

I do think that you put your finger on a terribly important issue which is clearly related to the question of new federalism, and I don't know the answer to it. I do know that on the last time I raised the issue, I garnered some 18 votes for an amendment offered to the windfall profits tax bill. Even to raise the issue is devisive and it is a thing that you just would as soon not do around here. I think that it is a matter that is going to be of increasing concern and that if we don't raise it in connection with new federalism, we will have lost an opportunity to raise it.

Mr. **Shannon**. New Federalism, Senator, forces a new look at the whole question of winners and losers in the Federal system; there is no question about it.

The other major Federal systems—Canada, West Germany, and Australia—use a very sophisticated system of equalization payments with far more equalizing power than our revenue sharing system to try to balance the scales.

I do think that one of the great advantages of this whole New Federalism debate is that it will force a salutory reexamination of these concerns.

Senator **Danforth**. Gentlemen, thank you very much.

[The prepared statements, combined, of Messrs. Stenberg, Shannon, and Walker follow:]

ADVISORY
COMMISSION ON INTERGOVERNMENTAL RELATIONS
WASHINGTON, D C 20575

STATEMENT

OF

THE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

BY

CARL W. STENBERG
ACTING EXECUTIVE DIRECTOR

JOHN SHANNON
ASSISTANT DIRECTOR FOR TAXATION AND FINANCE

AND

DAVID B. WALKER
ASSISTANT DIRECTOR FOR GOVERNMENTAL STRUCTURE AND FUNCTIONS

ON

"THE NEW FEDERALISM"

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

March 16, 1982

We wish to thank Senator Roth, Chairman of this Committee and member of the Advisory Commission on Intergovernmental Relations, for calling these hearings and allowing us the opportunity to present the findings and recommendations of ACIR as they relate to the New Federalism proposals.

President Reagan in his first State of the Union address in January quoted the work of the Commission in his argument for restructuring American federalism. The President said: "The Federal government's influence and activities have become more pervasive, more intrusive, more unmanageable, more ineffective, more costly, and above all, more unaccountable."

Underlying the President's New Federalism initiative is the belief that American federalism is in trouble. This also was the conclusion of the ACIR. The virtually unrestrained growth of the federal role in the federal system has resulted in an overloaded system. The federal role, especially over the past 20 years, has grown bigger, broader and deeper.

Let's speak first to bigness. Just 20 years ago, intergovernmental fiscal transfers amounted to only a little over $7 billion, or less than 2% of Gross National Product and less than 15% of total state and local expenditures. In 1980, federal grants cost $88 billion, accounted for 3.4% of the GNP and over 23% of state-local outlays.

Next, the federal role is broader, felt today throughout the nation by almost all individuals, businesses, other private organizations, and by its partners in federalism, state and local governments. In 1980, the 530 intergovernmental grant programs touched nearly every state and local endeavor. Two decades ago, the 132-odd programs were focused heavily on transportation and income security. Further, the distribution of federal grants-in-aid has changed. About 25% of all grant monies flow directly to local governments, almost unheard of just 20 years ago.

Thirdly, the federal influence is deeper. Federal regulations imposed on state and local governments, still few in number not too long ago, are now believed to involve more than 1,200 mandates by some counts.

The ACIR recognizes the positive effects of some expansions in the federal role but questions the effectiveness of the bewildering network that now characterizes intergovernmental relations. The central point of the 11-volume study which chronicled the growth in the federal system was this question: When every domestic function is "intergovernmentalized," when every level of government is responsible for everything, then which can be held accountable?

The federal aid commons had indeed been overgrazed. In 1981, we witnessed pretty general agreement on the part of state and local officials to absorb a fair share of federal budgetary cuts. For the first time in two decades, federal aid to states and localities declined in absolute dollars. In 1981, too, nine new block grants were formed out of 77 grants — a first step in the new Administration's plan to restructure federalism and respect the abilities of the federal government's partners to administer more flexible forms of federal aid.

Last year may well come to be seen as a year of transition from a federally-dominated form of federalism to what will hopefully be a more balanced system. Just how to rebalance federalism became the question of the day. The President, in his State of the Union message, set the stage for debate. A debate on federalism, one that I might point out has not been seriously conducted in this country for at least half a century, needs to address these questions: which level of government should be responsible for what? which pays the bill? And which should be held accountable?

ACIR's diagnosis of the problem was that the federal system has become top-heavy; now I ask you to consider the Commission's recommendations for a cure. The centerpiece of the ACIR agenda to restore balance to federalism is a trade-off. The idea of a great swap in functional responsibilities did not happen overnight. It was built on years of careful research and past recommendations. Since 1969, the Commission has urged federal assumption of welfare programs and Medicaid. In 1980, the Commission said that federal assumption of these and possibly other basic responsibilities should be accompanied by a major sorting out of assignments in other areas. Here, too, the Commission built on past recommendations — in 1967, it proposed the number of federal categorical programs, then 379, be reduced by half through consolidation. In 1980, the Commission thought that the 500-plus programs should be substantially reduced, either through termination or consolidation.

Basic to ACIR's recommendation to "sort out" the federal system is the idea of a division of labor among levels of government. Accordingly, the federal government should be involved in those domestic activities which have a (1) clear and essential federal purpose; (2) program history in which federal initiatives and involvement have been concerted and predominant; and (3) heavy federal funding relative to the state-local funding. The first of these is primarily a matter of value; the other two are practical concerns.

The federal role should be limited in those fields where federal aid has been relatively small -- amounting to 10% or less of the combined federal, state, local outlays. Similarly, programs which do not embody essential national objectives, or which are too small to address in a significant way the need to which they relate, should be considered for phase out or termination. These might include the approximately 420 (as of 1980) federal categorical grant programs which then accounted for only 10% of all grant funds. Other candidates for termination or devolution are those which obtain, or could obtain, most of their funding from state and/or local governments, or fees for service, or which could be shifted to the private sector.

By mid-1981, it became clear that perhaps the Commission's strategy to decongest the federal aid system via a trade-off of functional responsibilities could be combined with tax turnbacks. At its October 1981 meeting, the Commission directed staff to examine the broadest possible range of tax and program responsibility turnbacks. Commission assistance in the development of tax turnback alternatives was also requested by the President's Cabinet Council Working Group on Revenue Source Return.

In response to the Commission's directive and the White House's request, ACIR staff examined nearly 60 possible combinations of revenue or tax turnbacks and program trade-offs. Staff research was readied for the Commission's January 1982 meeting and, at the Commission's direction, was made available to members of Congress, key executive branch officials, and other interested parties.

In addition to its trade-off proposal, the Commission urged a reduction in the regulatory burden on states and localities. The Commission did not object to the goals and intentions behind most federal rules. Rather, it objected to their seemingly endless numbers and their often confusing, conflicting, duplicative, and costly implementation. The Commission commends this Committee and the U.S. Congress for the recent passage of fiscal note legislation, supported by the ACIR and others to help end the "pass now, pay later" attitude that so frequently prevailed in the past.

Other recommendations from the federal role study include strengthening the two-party system, calling a national convocation to address the issues and problems confronting federalism, and clarifying the Constitutional amendment process. On that last point, I would like to add that the so far unused state initiative approach to amending the U.S. Constitution needs a clearer means of implementation. We are only three states short of the necessary 34 to petition Congress to call such a convention to consider a balanced budget amendment. No one really knows what would happen if three more sign on.

I have given you the Commission's diagnosis and some of the recommendations we believe necessary for a cure. Now, I would like to address some of the issues raised directly as a result of the New Federalism proposals. No less than a new era in intergovernmental relations, many believe, is beginning. New eras do not come about accidentially and the ACIR has examined many of the trends that have brought us to this juncture. These trends are the very issues raised by the New Federalism.

First, there is the issue of state capacity — are the states ready to handle the increased responsibilities a more state-oriented federalism would bring? Just a couple of decades ago, the states largely deserved much of the criticism directed their way. However, today we challenge those who looked at the states in the 1950's and decided that they lacked the capability to perform their roles in the federal system to take another look.

ACIR's research shows that the states are indeed transformed. In just two decades of unparalleled reform, the states as a group went from being federalism's "fallen arches" to its "arch supports." Their impressive — and unprecendented — strides forward in the areas of constitutional modernization; executive, legislative, and judicial branch reform; and, administrative and managerial improvements help to explain why assessments of the states are becoming more and more positive. Appended is a summary of many of these improvements recently compiled by ACIR's staff.

Yes, caveats remain. Not all states have progressed equally and all could benefit from additional improvement. Yet, they are now much more effective middlemen in the federal system, one of their most important roles as envisioned in the Constitution. They already largely fund and administer many of the programs some wonder if they can handle. Further, states have been and still are the laboratories of federalism. Federal initiatives often draw upon state experiments. Unemployment compensation began in Wisconsin in 1939. State experiments in the use of fiscal notes, regulation of hospital facilities, protection of health and safety on the job are but a few of the ideas tested at the state level before national adoption. Of course, the federal influence on states has been great, often bringing about long overdue reforms.

Perhaps the biggest question mark from the Commission's point of view is in the area of state/local relations. For a long time, local governments, especially cities, brought their problems to Washington, bypassing their state capitols. Governor Busbee of Georgia put it succinctly: "The perception that the federal government cares about cities and that the states do not has a number of roots, the most important of which is that it was once true." Whether it is still true has been the subject of considerable ACIR research. The results of our investigation show that the 50 state governments have accomplished a great deal vis a vis their communities in need but much more could be done.

On the positive side, states now rank second to the federal government as the biggest financers of domestic activities. Of the high ticket items, states now provide more than half of all local school costs and better than 80% of state/local own-source welfare expenditures.

In the past several years, however, state actions assisting or broadening local fiscal capacity ran head on into popular demand for lower taxes and reduced spending. Consequently, state restrictions on local revenue raising and expenditures multiplied. State mandates on local governments also grew — one study of five states revealed that 2,151 state mandates were imposed since 1966. The rise of state mandating was accompanied to a great extent by fiscal note legislation; in only 12 states, however, are localities reimbursed for the costs of state-imposed requirements and even here compliance has been mixed.

Overall, states have come a long way. In spite of the many reforms, though, memories of antiquated constitutions, unrepresentative and unresponsive legislatures, as well as fragmented executive offices, linger on. Local officials, in particular, have a number of concerns about an increasingly state-oriented federalism. First, they want to know whether their communities will receive a "fair share" of resources under the block grants as well as the swap and turnback components of the President's program. This concern is particularly great where direct federal-local ties prevailed in the past.

A second area of concern involves whether the discretion that the block grant, regulatory relief, and sorting out initiatives seek to give local units will be reinforced or thwarted by the states. Federal rules, regulations, and requirements could reappear as states attempt to ensure that statewide objectives and priorities are being carried out, and that public funds are being properly spent. In some of the block grants, for example, if past is prologue, this could mean that increased discretion over the use of federal monies would be enjoyed only by the states; for local governments, categorical relationships would persist with a state rather than a federal agency making decisions.

A third area of concern has to do with the states' philosophical commitment to shoulder more "middlemen" responsibilities. ACIR research shows that they have the capacity, but do they have the will to fill holes in the social safety net, compensate local governments for federal aid reductions, and give local officials greater flexibility?

While the verdict will be out for some time on the questions raised by the New Federalism initiatives, one of the most important consequences could be a mending of state-local fences, too long in a state of disrepair. Local governments, in particular, have become dangerously dependent on intergovernmental revenue sources, in the Commission's view, and may need structural reform if they are to solve the mismatch that all too often occurs between needs and resources at the local level. This will be a difficult task, to be sure, but one that we feel is necessary to restore the traditional independence our cities and counties enjoyed in the not-too-distant past.

Yet another major trend surfacing in the debate over how federalism should work has to do with fiscal disparities between states. The question of winners and losers is an inevitable accompainment of any debate over the allocation of resources, especially as they become scarcer and scarcer. We have had, at least in the past, a high tolerance for diversity in this country but we have also had a concern for equity. A recent study completed by the ACIR, scheduled for consideration at its next meeting, attempts to assess the 50 states' ability to tax. Since tax wealth is inextricably linked to disparities, the two subjects must be considered together.

Typically, we have measured tax capacity by per capita income. Income, however, measures the economic well-being of a state's residents, and is just one resource available to a state in its tax mix. Using the ACIR's composite measure of tax capacity, called the Representative Tax System, we can, for example, see that Alaska's tax base is more than twice the nation's average on a per capita basis.

A detailed explanation of how the RTS was derived and a state-by-state analysis is included as an Appendix to this testimony. We will address the overall trends revealed by the use of the RTS. These trends show that disparities have widened in state tax capacity since the mid 1970's; per capita income levels, on the other hand, have tended to become more equal across the country over the years. Between 1975 and 1979, all the western states, except Hawaii, have shown higher than average tax base growth. The biggest factor in the western growth trend has been the increase in the property tax base; in the mineral rich western states, the growth in the value of energy resources has also played a large role in increasing their overall tax bases through severance taxes. In contrast, the states in the northeast have been experiencing a relative decline in tax capacity. New York, New Jersey, Connecticut, and Massachusetts have all had a relative weakening in their fiscal bases. Midwestern and southeastern states have tended to remain stable since the mid-1970s.

A considerable body of research shows that the federal aid system as it is now constituted is not — and never has been — strongly redistributive. While the reasons for this are many and complex, they are in the past. As we now move from tinkering with federalism to potentially overhauling at least parts of it, we might want to explore how to achieve a better balance between fiscal capacity and financial equity.

The debate over the shape of federalism in the 1980s might also want to include a discussion of what the public wants. In 1978, for example, the voters of California sent a clear message to policymakers in their adoption of Proposition 13 -- their go-slow attitude towards taxing and government spending reverberated throughout the country. Some say that voters sent the same message to Washington in 1980 with the election of a more conservative Senate and Administration.

The message of fiscal conservatism tells elected officials that they must try to do more with less but it does not tell them which level of government should be doing what. Late last year, the ACIR conducted a poll to find out how people viewed any possible reshuffling of functional assignments among levels of government. The question asked was "From which functions would you like to see the federal government withdraw?" When the choice presented was "welfare," 39% felt Washington should give it up. But, when the choice was listed as "aid to the needy," only 17% thought the federal government should withdraw. People have a pretty altruistic view of the needy, one could deduct from the poll results, but they strongly associate welfare with a negative view.

Federal aid's decline and restructuring implies a number of possible scenarios for the near future. The ACIR has rejected a dreary more-of-the same scenario but, at the same time, rejected drastic Constitutional change. While imperfect, and rarely — if ever — a neat system, it does suit a country as large as ours. If we did not already have a federal form of government, we would probably have to invent one. We on the Commission who, in many cases, have spent years examining federalism, applaud the President's move to make it an issue of the day. The need for constructive change is there. At last, we seem to have the will to address it.

DIMENSIONS OF STATE GOVERNMENTAL REFORMS:

AN ACIR COMPARISON*

---

*ACIR staff compilation based mainly on the Book of the States (appropriate years), and other sources as cited. Most comparisons are from 1955 to 1980. Information for some years was not available.

	THEN	NOW
State Constitutions		
States officially acting to modernize (1950-1977)		4/5
States with new constitutions in last 25 years (1955-1980)	6	11
States with no limits on number of amendments on ballot at one election (-1980)		46
States making constitutional revision easier since 1966		28
States providing for periodic submission of question of calling a convention(-1980)		14
States with popular initiative for constitutional amendments (1953-1980)	14	17

State legislatures	THEN	NOW
States with reapportioned legislatures (1960-1979)	5	50
Percentage of state legislative seats held by women (1976-1980)	8	10
State legislative seats held by blacks (1970-1980)	168	307
States with annual sessions (1955-1980)	14	37
States without restrictions on length of regular sessions (1955-1980)	18	19
States allowing legislature to call special session (1955-1980)	11	36
States where legislature can expand special session agenda (1955-1979)	26	35
States limiting length of special sessions (1955-1979)	21	16
States permitting carryover of bills from one session to the next (1955-1979)		25
States with 100 or fewer seats in house of representatives (1955-1979)	23	27
States with 10 or fewer house committees (1954-1980)	4	6
States with 10 or fewer senate committees (1954-1980)	15	13
Median number of house committees (1955-1979)	25	17
Median number of senate committees (1955-1979)	22	14
States with fewer house committees than previously (1955-1979)		40
States with fewer senate committees then previously (1955-1979)		40
States requiring open legislative meetings (-1979)		50
States requiring open committee meetings (-1979)		50
States requiring advance notice of committee meetings in house (-1979)		35
States requiring advance notice of committee meetings in senate (-1979)		33
States requiring roll calls to report bills (-1979)		29

	THEN	NOW
States wth uniform committee rules, house (-1979)		38
States with uniform committee rules, senate (-1979)		29
States recording and publishing committee proceedings (1970-1981):		
a. States recording and transcribing committee proceedings		5
b. States recording but only transcribing on request		11
c. States preparing minutes of committee proceedings		11
d. States partially or infrequently recording committee proceedings		8
e. States not recording or preparing minutes of committee proceedings	20	8
f. Not responding to Peeters survey — 10 1/		
States limiting number of bills introduced (-1979)	N/A	4
States using short-form bills 2/	N/A	6
States imposing deadline on bill introduction (1955-1979)	42	43
States providing for pre-session bill filing (1955-1979)	12	45 3/
States requiring roll calls on bill passage on all bills 4/ (1955-1977):		
a. House	6	37
b. Senate	6	39
States using electronic vote recording devices for house (1955-1979)	23	24 5/
States with legislative reference libraries (1955-1979)	44	50
State legislatures with bill analysis and legal research assistance (1955-1979)	N/A	50
State legislatures with fiscal review and analysis assistance (1955-1979)	19	50
State legislatures with bill analysis and legal research assistance (1970-179)	44	50
State legislatures with policy review and analysis assistance (1970-1980)	50	50

	THEN	NOW
State legislatures with bill drafting assistance (1970-1980)	50	50
State legislatures with bill drafting assistance (1955-1980)	42	50
States with legal counsel to the legislature (1970-1980)	37	44
States with professional staffing for some senate standing committees (-1980)		50
States with professional staffing for all senate standing committees (-1980)		39
States with professional staffing for some house standing committees (-1980)		49
States with professional staff for all house standing committees (-1980)		39
States with electronic data processing for legislature (-1980)		21
States with clerical staff for all standing committees — senate (-1980)		49
States with clerical staff for all standing committees — house (-1980)		47
States with personal staff for individual senators (-1980)		26
States with personal staff for individual house members (-1980)		19
States with either personal or shared staff — senate and house (-1980)		50
States with district staff for senators (-1980)		14
States with district staff for house members (-1980)		11
States providing individual offices for all senators (-1980)		26
States providing individual offices for all house members (-1980)		18
States providing shared or individual office space for senators (-1980)		35
States providing shared or individual office space for house members (-1980)		29

	THEN	NOW
States compensating legislators at or over $10,000 per annum in constant dollars ($20,052 in 1980) (1970-1980)	11	9
States setting legislators' compensation in constitution (-1980)		9
States setting legislators' compensation by statute (-1980)		34
States setting legislators' compensation by compensation commission (-1980)		7
States contributing to health insurance for legislators (-1980)		34
States contributing to retirement programs for legislators (-1980)		42
States with special laws on legislative conflict of interest and financial disclosure (-1980)		41
States requiring registration of lobbyists (-1980)		50
States exercising post-audit responsibility for state funds (-1980)		40
States with legislative evaluation of programs or agencies through "Sunset" legislation (-1980)		35
States where legislatures appropriate federal grant funds (1970-1980)	0	3/4+

State Court Systems	THEN	NOW
States with revised court systems (1955-1980)	2	
States with at least a moderate degree of court unification (1970-1978) 5/		34
States with profesional court administrative offices (1970-1980)	37	50
States with centralized rulemaking for courts		
States with centralized court budgeting (-1975)		12
States assuming full or substantial funding (90%) for courts (1970-1979)	7	22
States using merit plan for selection of all judges (1955-1980)	2	14
States using merit plan for selecting all or some judges (1955-1980)	2	19
States with mandatory retirement for judges reaching a certain age (1973-1980)	23	37
States with judicial discipline and removal commissions (1955-1980)	0	41

Governors and Their Offices	THEN	NOW
Average age of Governors at election (1950-60—19709-80) 6/	47	46
Percentage of Governors with some college education (195)-60—1970-80)	90	98 7/
Average number of years of education of Governors (1950-59—1970-75) 8/	17.4	17.8
States whose Governors serve 4 year terms (1955-1980)	29	46
States with one-term limit on Governor or ban on immediate succession (1955-1980)	17	5
States with no elected executive officials other than Governor and Lieutenant Governor (1955-1980)	2	3
States with 3-6 agencies with popularly-elected heads (1955-1980)	20	30
States with 7 or more agencies with popularly-elected heads (1955-1980)	19	12
States allowing Governor administrative reorganization authority subject to congressional veto (1955-1980)	2	10 9/
States giving Governor general veto authority (1955-1980)	47	49
States giving Governor item veto authority (1955-1980)	39	43
States giving Governor authority to reduce appropriation items (-1980)		11
States allowing Governor pocket veto (1955-1980)	14 10/	15 11/
States where Governor proposes budget (1955-1980)	42 12/	47
States with budget authority shared with administrative board (1955-1980)	2	1
States with budget authority shared by a joint administrative-legislative group (1955-1980)	1	0

State Administration	THEN	NOW
States undergoing comprehensive reorganization (1965-1979)		22
States with departments of finance or administration (1964-1978)	29	42
States with independent post audit (1964-1979)	42	49
States with cabinet systems (-1979)		36 13/

Personnel	THEN	NOW
States with comprehensive merit systems for state personnel (1949-79)	25	37
States with Little Hatch Acts (1939-1950)		50
Average age of state administrators (1964-1978) 14/	51.9	47.1
Percent of state administrators with some college (1964-1974) 15/	81.9	96.4
Average number of years of education for state administrators (1964-1978) 16/	16.3	16.6
Percent of state administrators with graduate or professsional degrees (1964-1978) 18/	62.1	67.5

State Finances	THEN	NOW
State expenditure of own funds as percent of gross national product (GNP) (1954-1981 est.) 19/	3.5	5.5
Federal aid to states as percentage of general revenues from own sources (1955-1980) 20/	20.9	38.0
States with broad-based income taxes (1950-1980) 21/	31	40
States with both broad-based income taxes and general sales taxes (1950-1981) 22/	17	36
States with neither broad-based income taxes nor general sales taxes	7	2
State taxes as percentage of GNP (1956-1981) 24/	3.26	5.32
States with sales and/or income taxes exempting food from sales taxes or providing income tax credit for low-income residents (-1980) 26/		8
States with state-financed circuit breakers for property tax relief (-1980) 27/		31
States with revenue/expenditure limitations on state taxes (-1980) 28/		15
States with revenue/expenditure limitations on local taxes (-1980) 29/		6
State debt as a percentage of GNP (1954-1981 est.) 31/	0.1	0.3
Interest payments on state debt as percentage of state general revenue from own sources (1954-1980) 32/	1.6	4.0

NOTES

1/ Survey by Donovan Peeters, Maryland General Assembly Department of Legislative Reference, 1981. Ten states did not respond.

2/ The short-form bill permits a member to introduce a statement describing the intent of the legislation; however, the bill is not drafted in legal language. Committees have the obligation of drafting the proposed legislation sponsored by the committee itself. The Citizens Conference on State Legislatures, *The Sometime Governments*, Kansas City, MO, The Conference, 1971, p. 162.

3/ Idaho for senate only.

4/ In other states, roll calls may be requested by members.

5/ Larry Berkson and Susan Carbon, *Court Unification: History, Politics, and Implementation*, Washington, DC, U.S. Department of Justice, National Institute for Law Enforcement and Criminal Justice, 1978, p. 46.

6/ Samuel R. Solomon, "Governors: 1970-80," *National Civic Review*, March 1981, p. 127.

7/ *Ibid*. Solomon says "nearly all" translated here as 98%. The figure for 1960-70 was 95%.

8/ Larry Sabato, *Goodbye to Goodtime Charlie: The American Governor Transformed*, Lexington, MA, Lexington Books, 1978, p. 25.

9/ Additional states may allow such authority. Ten did not respond to the survey.

10/ Includes Massachusetts where, in practice, the legislature never prorogues until all bills are signed.

11/ Includes Hawaii where legislature may reconvene to override veto If it does not, bill dies.

12/ Includes Nevada where authority is shared with budget officer appointed by Governor.

13/ Does not include Florida where the constitutionally required cabinet system discourages coordination at the state level.

14/ Dometrious, Table 1.

15/ *Ibid*., Table 2

16/ *Ibid*., Table 3.

17/ Calculated from *ibid*., Table 4.

18/ *Ibid.*

19/ ACIR, *Significant Features of Fiscal Federalism, 1980-81 Edition* (Report M-132), Washington, DC, U.S. Government Printing Office, 1981, p. 10.

20/ *Ibid.*, p. 59.

21/ *Ibid.*, p. 36.

22/ *Ibid.*

23/ *Ibid.*

24/ *Ibid.*, p. 37.

25/ ACIR, *Significant Features of Fiscal Federalism, 1979-80 Edition* (Report M-123), Washington, DC, U.S. Governmnt Printing Office, 1980, pp. 53-54.

26/ ACIR staff calculations.

27/ ACIR, Report M-123, *op. cit.*, pp. 53-54.

28/ *Ibid.*, pp. 186-187.

29/ *Ibid.*

30/ ACIR, Report M-132, *op. cit.*, p. 74.

31/ *Ibid.*, p. 76.

32/ *Ibid.*

Advisory Commission on Intergovernmental
Relations, Intergovernmental Perspective
Summer 1981 issue.

A Fiscal Note

New Tax Wealth Estimates Reveal An Increased Regional Disparity

The comparative ability of governments to finance public services has typically been measured by per capita income. However, income actually measures the economic well-being of a jurisdiction's residents, not the resources it could tax. The ACIR staff has now completed preliminary estimates of 1979 tax capacity among the states. The 1979 estimates update a series prepared consistently since 1975. These tax capacity estimates are more comprehensive measures of state fiscal capacity than income, because they account for all tax bases available to states and localities such as property, income, sales, motor fuels, and [illegible] value of extracted natural resources.

Tax capacity is calculated by using the "representative tax system," (RTS) to estimate the amount of revenue that each state would raise if it used an identical set of tax rates. The rates used for the calculations are "representative" in the sense that they are the national average tax rates for each base. Because the same tax rates are used for every state, estimated tax yields vary only because of differences in the underlying bases. Thus, the resulting differences in tax yields reflect the differences in overall tax base, even though the bases available are diverse and otherwise difficult to measure on a comparable basis.

All bases that are commonly subject to state and local taxation are used in the RTS calculation of tax capacity.[1] The representative tax rates [illegible] applied in every state regardless of whether a given state actually taxes a particular base. Otherwise, tax capacity would be understated in states that choose not to employ a full spectrum of taxes. For example, Connecticut does not have an income tax but income is included in Connecticut's tax wealth; similarly, Oregon does not have a retail sales tax, but retail sales are included in its tax capacity computation.

Because the same set of rates is used for all states, an individual state's decision to stress one type of tax or another does not affect the measurement of its tax base relative to other states. The RTS is neutral among high and low tax states in its calculation of tax capacity. Thus, a high tax state can have low measured capacity (New York) or high capacity (Alaska). Conversely, a low tax state can have low capacity (Alabama) or high capacity (Nevada).

The table on the opposite page presents estimates for tax wealth (as a percent of national average) for 1979 and 1975. For comparison, the resident per capita income indices for the same years are also exhibited.

According to the 1979 estimates, Alaska now has the largest tax base per capita—more than twice (213%) the nation's average. The top five states in per capita tax wealth are Alaska (213%), Wyoming (190%), Nevada (164%), Texas (121%), and California (116%), and their strength reflects the growing economies of the western states. In contrast, the southern states of Mississippi (71%), Alabama (76%), South Carolina (77%), and Arkansas (78%) have the smallest tax bases per capita and have shown only average growth in recent years.

Tax Wealth Trends

In recent years the western states have shown strong growth in their tax capacity. Between 1975 and 1979, all the western states, except Hawaii, have shown higher than average tax base growth. By region, the southwest has grown nine percentage points, the Rocky Mountain states by seven points, and the Far west by six points. Alaska and Wyoming have experienced the largest tax base gains in the country since 1975. The biggest factor in the western growth trend has been the property tax base; home prices in the west have grown by 102.7% while the national average has risen by only 64.6%.[2] In Alaska, Wyoming, and Texas, the growth in the value of energy resources has also played a large role in increasing their overall tax base through severance taxes.

In contrast, the states in the northeast have been experiencing a relative decline in tax capacity. New York, New Jersey, Connecticut, and Massachusetts have all experienced a relative weakening in their fiscal bases. As a group, the New England states have fallen by four percentage points since 1975, the mideastern states have declined by eight points. Delaware and New York have shown the largest declines in the country.

Both the midwestern and southeastern states have remained stable over the period. Most states experienced small gains and losses but have generally maintained their relative standing. State capacities have fluctuated according to the extent that their economies have been affected by national business cycles.

Disparities in state tax capacities have widened in the late 1970s. One summary indicator of this trend is the standard deviation of the tax capacity estimates which measure the average distance among all states from the national average tax capacity. When weighted by population, the standard deviation suggests growing disparities, increasing from 10.3% of the mean in 1975, to 14.2% in 1979. This development is masked by the per capita income measure that shows states becoming more equal.

A Comparison to Per Capita Income

Comparisons of the two series for 1979 reveal that for 27 states the per capita income and tax capacity indices are essentially the same—they differ by five percentage points or less. However, in 15 states and the District of Columbia, the series diverge by more than ten points; seven states differ by more than 20, with Alaska and Wyoming showing the least similarity. Of the ten states where tax capacity is ten points or more above per capita income, nine are net energy exporters; the lone nonenergy state (Nevada) has an extensive tourist trade. The six states where RTS tax capacity is ten percentage points or more below per capita income are all in the northeast.

---

[1] In 1979, about 5% of total state-local collections were excluded because they were from atypical sources, or their base could not be measured for each state.

[2] National Association of Realtors, Existing Home Sales, Washington DC, August 1980.

The differences in per capita income and RTS tax capacity show a distinct regional pattern. Of the northeast states, Vermont, Delaware, and New Hampshire have an RTS tax capacity in excess of their income. Conversely, all western states with the exceptions of Washington and Hawaii, have tax capacity in excess of their income. This pattern reflects the generally higher per capita farm, residential, and natural resource values in the western states.

Because the tax capacity measure includes all tax bases, whether from resident or nonresident sources, it is a more comprehensive index than personal income of a state's ability to finance public services. Thus, the tax capacity index provides state policymakers with a single measure of their overall tax base in comparison to other states.

COMPARISONS AMONG THE STATES—RELATIVE TAX CAPACITY AND PER CAPITA INCOME (percent of national average)

	1979		1975	
State	Per Capita Tax Capacity	Per Capita Income	Per Capita Tax Capacity	Per Capita Income
New England	93%	102%	97%	102%
Connecticut	106	115	108	116
Maine	79	80	84	81
Massachusetts	90	101	95	104
New Hampshire	97	95	103	93
Rhode Island	83	97	88	97
Vermont	86	84	94	84
Mideast	92	104	100	109
Delaware	119	106	125	112
District of Columbia	107	120	115	124
Maryland	98	106	100	109
New Jersey	100	111	107	116
New York	96	104	96	111
Pennsylvania	93	96	98	100
Great Lakes	102	104	102	103
Illinois	111	112	112	115
Indiana	97	96	97	96
Michigan	102	107	99	103
Ohio	99	99	103	98
Wisconsin	95	97	96	96
Plains	101	98	100	98
Iowa	106	100	106	101
Kansas	107	105	107	102
Minnesota	103	101	97	99
Missouri	95	94	96	93
Nebraska	96	99	103	100
North Dakota	106	94	100	101
South Dakota	93	85	93	85
Southeast	89	87	89	86
Alabama	76	79	78	79
Arkansas	78	79	79	77
Florida	104	97	104	96
Georgia	83	87	87	86
Kentucky	89	84	88	83
Louisiana	109	86	104	82
Mississippi	71	70	71	69
North Carolina	81	84	85	84
South Carolina	77	80	78	80
Tennessee	82	84	84	82
Virginia	93	96	94	95
West Virginia	101	84	92	85
Southwest	116	88	107	93
Arizona	99	96	96	92
New Mexico	109	86	92	83
Oklahoma	112	97	101	89
Texas	121	100	112	96
Rocky Mountain	110	95	103	96
Colorado	112	104	107	102
Idaho	92	86	91	89
Montana	113	88	102	92
Utah	91	82	89	84
Wyoming	190	113	166	105
Far West	115	113	109	111
California	116	115	110	112
Nevada	164	120	151	113
Oregon	104	102	100	98
Washington	102	109	98	107
Alaska	213	128	166	165
Hawaii	105	105	109	115
U.S. Average	100%	100%	100%	100%

Source: Income: U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, Washington, DC, August 1980.
Tax Capacity: 1975, National Institute of Education, Tax Wealth in Fifty States, Washington, DC 1978 (Revised by ACIR staff); 1979, ACIR staff estimate.

Robert B. Lucke
Albert J. Davis

Senator DANFORTH. The final witness is Mr. Claude Barfield.

TESTIMONY OF CLAUDE E. BARFIELD, VISITING FELLOW AT THE AMERICAN ENTERPRISE INSTITUTE

Mr. BARFIELD. Thank you, Senator. I know that it is late and that you have someplace else to go, so I won't even make my abbreviated statement. Let me just make a couple of points that are a part of that statement.

In writing the study I completed in October on federalism, I began to puzzle over the question of which programs, and on the basis of what criteria, would one conclude that a particular area or a particular program was a national responsibility and that the Federal Government had to retain control of or force a minimum level of support.

Let me say, I don't think there is any overwhelming or overpowering intellectual argument one can make regarding what is truly a national program vis-a-vis what are State or local programs. What I tried to do was to throw out a particular approach which, for me, was intellectually more satisfying than others, and I also thought it was more politically attractive than some others, but I think there are other means of approaching this particular problem.

Basically what I argued was that historically, the Federal Government, certainly for most of the 20th century and certainly since the 1930's, has been moving gradually to assume responsibility for the basic human needs of the general population.

Take social security and unemployment insurance, food stamps and nutrition, low income housing programs for all the problems that attend them. Pieces were being added to a kind of basic level of support of human needs.

There were two areas in which you still had major problems: One was national health care financing—one could say medicare and medicaid were flawed programs that are steps in the direction of that commitment—and the second was welfare or income security.

If one were looking to a major reshuffling, as it seemed the administration was going to do in 1981, those were the two areas you ought to look. As I mentioned in my testimony, you had Stockman talking about this as early as 1979; ACIR, the Governors' Association, the President's Commission for a National Agenda for the Eighties, of which I was a staff director, came up with the same kind of tradeoff. So you had a coalescing of a consensus around those two programs. Some people said welfare alone; some people, as the Commission did, linked the national health care and welfare and then made a larger swap.

From my own point of view it would seem to me that both substantively and politically, it would make sense for the administration to go ahead and bite the bullet on both.

I do not think, to go back to some questions that you had raised earlier, Senator Danforth, that rationally one can make a distinction between medicaid on the one hand and welfare on the other. In a sense, medicare is an income security program.

You could go back and combine welfare in medicaid, but then you would go deeper into other programs.

Senator **Danforth**. I am sorry; I don't want to interrupt you, but you would have medicaid and AFDC and food stamps all being done by the Federal Government?

Mr. **Barfield**. Yes, but not necessarily administered by the Federal Government, but that the Federal Government would assume policy and financial responsibilities.

I think that welfare programs could be financed by the Federal Government but administered by State and local government. My point is they ought to bite the bullet on both health care and welfare.

There is one other issue I would like to raise with this committee. That is the question of congressional organization. It is not clear to me, and I discussed this and asked the staff about this yesterday, how the Congress is going to handle these proposals.

Clearly, the trust fund has to go to the Finance Committee, but it seems to me that the logic that the Congress followed in establishing or creating the Reorganization Act process in the late forties would pertain here.

That is, either the Governmental Affairs, Government Operations Committees should go back to the leadership of the two Houses and get clear-cut authority or separate committees should be set up to handle at least the swap, because I think just as you could not expect the authorizing committees to deal dispassionately and in a disinterested fashion with reorganization. Proposals, you cannot expect the authorizing committees to look dispassionately and with disinterest on abolishing categorical programs. It is not clear to me by what means the Congress is going to work through these proposals. I think it is important, and the administration thus far at any rate has said, "We want to develop a set of proposals. We want to swap these 40 programs back to the States," but somebody has to analyze those programs and on the basis of some ciriteria say: "This should be national and this should be State or local."

I think that should be done by a group which has no authorizing authority over the programs at issue.

This is a formidable task for Congress and it seems to me Congress at the moment is ill-organized to handle it. As a former staff member of this very committee, I am reluctant to suggest congressional committee reform. I know how difficult that is, but I think if you are going to be dealing with this over the next couple of years, I think it is something you should consider.

Senator **Danforth**. I think you put your finger on a very live controversy, and there is a jurisdictional dispute which is going on now. It is certainly between the Finance Committee and the Governmental Affairs Committee.

I very much appreciate your being here. I am sorry more people were not here for your testimony.

Mr. **Barfield**. Thank you.

[The prepared statement, with attachment, of Mr. Barfield follows:]

PREPARED STATEMENT OF CLAUDE E. BARFIELD

Mr. Chairman, thank you for the invitation to appear before the Governmental Affairs Committee today to participate in your hearings on President Reagan's New Federalism proposals. I should like to submit for the record my complete testimony, the bulk of which consists of the concluding chapter of a study I completed in October 1981 for the American Enterprise Institute, entitled Rethinking Federalism: Block Grants and Federal State and Local Responsibilities. (I should add that the views expressed in the book and those I shall state today do not necessarily represent those of the American Enterprise Institute.)

In keeping with my remembrance of the tradition and preference of this Committee, I will keep my oral statement brief in order to leave most of the time for questions and discussion.

Succinctly, I argued in the AEI study that the time was ripe for a major reordering of federal, State and local responsibilities. The idea has come to enjoy wide support across a wide political spectrum. As early as 1975, OMB Director David A. Stockman had called for a "fundamental shift in social policy strategy," which entailed establishment by the national government of a "comprehensive health insurance program and (a) universal income maintenance program." Simultaneously, he stated, the federal government should get out of the business of funding most other individual categorical social service programs. Several years later, the Advisory Commission on Intergovernmental Relations, under the chairmanship then of former New York City Mayor Abraham D. Beame, and including among its members both Democrats and Republicans, likewise called for Federal assumption of financial responsibility for employment security, housing assistance, medical benefits and basic nutrition programs.

In turn, ACIR recommended that the Federal government should terminate, phase out and consolidate many of the remaining Federal assistance programs.

In 1980, a blue-ribbon presidential commission given the task of developing a national agenda for the next decade -- the President's Commission for a National Agenda for the Eighties -- concluded that top priorities on a social agenda should be enactment of (1) a competitive, market-oriented national health insurance plan, and (2) a minimum security income base for all citizens. Concomitantly, this group, which was appointed by President Carter and -- like ACIR -- was composed of Democrats, Republicans and independents, stated that "the Federal government is overloaded" and that it should turn over to State and local governments responsibility for implementing many of the programs encompassed in the 600-odd narrow-purposed categorical aid programs.

Finally, just after the 1980 election, the National Governors Association ant the National Conference of State Legislatures jointly proposed that, in exchange for Federal takeover of welfare, the States and localities would assume full responsibility for education, transportation and law enforcement programs. Using arguments quite similar to those of the Reagan White House, Governor Bruce Babbitt, the Democratic Governor from Arizona, took the lead in attempting to formulate concrete proposals toward such a realignment of responsibilities among Federal, State and local governments.

My own recommendations were placed within this broad stream of evolving consensus, and I attempted to marry a credible intellectual framework with a pragmatic political agenda. Historically, I noted, previous periods of reform had already placed the Federal government in a commanding role in key areas of human need. The Social Security and Medicare programs provided income security and health care for the elderly; unemployment insurance assured income for those temporarily unemployed; Food Stamps and other nutrition programs had done much to stem hunger and malnutrition; and low-income housing programs, for all the difficulties that attend them, do represent a major Federal commitment to provide decent housing for all citizens.

The Reagan Administration acknowledged and accepted this social inheritance and has committed itself to sustaining it. In one of the first budgetary pronouncements early in 1981, the Administration stated:

> The first criterion is the preservation of the social safety net. The social safety net consists of those programs, mostly begun in the 1930s that now constitute an agreed-upon core of protections for the elderly, the unemployed, the poor, and those programs that fulfill our basic commitment to the people who serve the country in time of war.

There remained, however, two major national social problems that were unresolved: (1) the construction of an efficient and equitable welfare system; and (2) an adequate health financing system for all citizens. As a part of any trade-off, the Federal government should move to include these two areas within the "social safety net." The assumption by the Federal government of a major role regarding welfare and health care -- combined with the existing social safety net -- would mean that national responsibility would have been asserted for the most basic human needs of the general population: food, shelter, health care, income and employment security. These would then constitute the "agreed-upon core of protections" and have first call on Federal resources.

Once the Federal government has moved to phase in these national social programs, there should be a hard look at its current over-extended responsibilities in other areas -- in community and economic development, transportation, education, environmental protection (wastewater treatment plants), health, natural resources, law enforcement, social services, libraries and arts and humanities.

Expansion of national underpinning for the basic "agreed-upon protections" would allow the administration to argue plausibly and credibly that many quite worthy individual categorical programs aimed at special problems and special populations -- UDAG, community health centers, black lung clinics, foster care and adoption assistance, EDA grants, emergency medical services, and numerous others -- must perforce stand as a second order of priority.

This would not mean necessarily that all of them would die. There might well be strong programmatic or political arguments for the retention of a Head Start program or migrant health centers. But it would mean that funding and support for them would depend on the resources available for the needs of the "agreed-upon core of protections" had been met by the Federal government.

What I suggested then, was the establishment of a hierarchical set of Federal priorities. These recommendations have direct implications for the issues raised by both the proponents of the Reagan administration's block grant proposals in 1981 and its New Federalism proposals in 1982. The assertion of ever expanding new "rights" or "entitlements" over the past decade and a half has been largely rooted in the legislation authorizing the hundreds of categorical programs that were created during that time.

Opponents of the Reagan administration's budget cuts and New Federalism/block grant proposals have come close th asserting that most, if not all, of these individual grants have conferred immutable rights on their beneficiaries and that somehow a moral compact between the government and these eligible populations is being violated. The administration has faced entirely in the opposite direction. OMB Director Stockman stated last year that he did not "believe that there is any basic right to legal services or any other kind of services, and the idea that's been established over the last ten years that almost every service that some might need in life ought to be provided and financed by the government as a matter of basic right, is wrong."

My own proposals I saw as a pragmatic middle way, which combined an expansion of basic national social responsibilities, with a withdrawal from less essential activities. They also reflected a central theme adopted by both the Republicans and the Democrats on the President's Commission for a National Agenda for the Eighties. In an early paragraph the Commission Report stated:

> As we enter the Eighties....a new constllation of factors -- both domestic and international -- has arisen....that requires the nation to make some fundamental choices. We no longer have the luxury of recommending more of the same in a variety of areas....(We) face a decade of difficult choices and priority-setting among many important and compelling goals...(and we) cannot proceed on all fronts at once."

What then of the Reagan Administration's New Federalism proposals, the two major components of which are: (1) Federal takeover of Medicaid in return for State take-over of Food Stamps and AFDC; and (2) turnback to the States of more than 40 Federal education, transportation, community development and social service programs, with a $28 billion trust fund (to be gradually phased out) to finance them.

Briefly, I should like to make three general points, two positive and one negative, about the administration's proposals:

(1) Despite my disagreement with one important segment, this is an imaginative proposal of large vision and thereby

deserves serious and thoughtful consideration. I do not doubt that (as critics of the Administration have charged) the White House had multiple political motives in attempting to move New Federalism to the forefront in a national political debate -- i.e., it would certainly like to see headlines concerning potentially huge federal deficits replaced by others relating to "imaginative" New Federalism proposals -- but that does not lessen the importance or the significance of what the President has proposed.

(2) In deciding that the Federal government would take over Medicaid, and transfer welfare programs to the States, the Administration did choose the more difficult and potentially much more expansieve of the two major social program areas for federalization. By and large, the costs of AFDC and Food Stamps have been brought under control, while Medicaid costs are likely to expand greatly unless major -- and politically difficult -- revisions are made in the programs in future years.

(3) For both substantive and political reasons, my judgment is that the Administration should also have taken over asserted federal policy and financial responsibility for welfare as well as health care programs. In a highly mobile society such as ours, the spillover effects of poverty across State lines are such that the national government should move toward a uniform minimum level of income transfer payments to individuals (adjusted for cost-of-living variations), both to ensure that all citizens are treated equally regardless of happenstance of residence and to avoid a needless competition among States that would distort growth and job patterns.

Politically, the Administration has left itself vulnerable to charges from critics who ignore the significant social advance it is proposing in health care and charge that the swap is merely another example of the Administration's callous attitude toward the poor.

A National Debate. Whatever the judgment regarding particular components the President's New Federalism package does represent a comprehensive approach and cal well serve as the focal point for a congressional and more general public debate on the future of federalism in the 1980s.

I would suggest that one central question which should be put ot the Administration initially and then debated and explored thoroughly by Congress is: what areas and which specific programs make up, in the Administration's own thinking, the "social safety net" which constitutes an "agreed-upon core of protections" to be sustained and supported by the Federal government.

While Administration officials have used this term frequently during the past year, there is still no precise definition or catalogue of programs which are encompassed in it. In opting to federalize Medicaid and turn over Feed Stamps and AFDC to the States, has the Administration concluded that health care financing for the poor is part of the "social safety net" and income assistance and security is not? Similarly, is the Administration, by the decision to retain responsibility for them at the federal level, ready to include within the "social safety net" education programs for the handicapped and the poor (Head Start and compensatory education programs)?

Congressional Organization. The process of sifting through the programs included within the Administration proposal and finding an optimum division of responsibilities among the Federal, State and local governments will be a formidable task for Congress. The magnitude of the task leads me to one final recommendation regarding Congressional organization. The situation seems to me analogous to that regarding the handling of Executive Branch reorganization proposals. In 1949, through the first Reorganization Act. Congress created an expedited process for such proposals and assigned responsibility for oversight of that process the Government Operations (Affairs) Committees of the House and Senate. The rationale for assigning responsibility to the Government Operations (Affairs) Committee was that one could not expect existing authorizing committees to deal in disinterested fashion with reorganization proposals (particularly those which contemplated abolition of agencies and departments) that included programs for which they exercised direct responsibility and toward which they likely had a protective attitude.

Much the same problem exists today with regard to the New Federalism proposals and the grant-in-aid system. Thus, I would recommend either that the respective Government Operations (Affairs) Committees seek clearcut authority over the Administration's legislative proposals in this area (I do not include financing the trust fund here) or that special separate committees be created in each House to deal with them.

Thank you again, Mr. Chairman, for the invitation to appear, and I should be happy to answer any questions.

[From "Rethinking Federalism: Block Grants and Federal, State and Local Responsibilities," American Enterprise Institute]

6

Federalism in the Eighties: Sorting Out Responsibilities

Preceding chapters have focused in some detail on the intricacies of the federal grant system and on the potential consequences of the Reagan administration's plans to consolidate over eighty categorical grant programs into six broadly structured block grants. But to remain bound by the dense thicket of the intergovernmental grant system would be to miss a much larger and more important set of issues. The thesis of this chapter, and, indeed, the ultimate point of this monograph, is that the Reagan administration has the opportunity to guide and shape a major reshuffling and redivision of responsibilities in the American federal system. If it succeeds, this sorting out of responsibilities can combine political benefits with the achievement of a sounder, more rational federal system.

The belief that the time is ripe for a more rational division of responsibilities among the federal, state, and local governments crosses party lines and includes among its proponents individuals and organizations along a wide band of the political spectrum. As early as 1975, David A. Stockman, in an article in *Public Interest*, called for a "fundamental shift in social policy strategy," that entailed the national government's establishing a "comprehensive national health insurance program and universal income maintenance," while at the same time ceasing to fund most other individual categorical social service programs (see appendix A). ACIR, working under the chairmanship of former New York City Mayor Abraham D. Beame and including among its members both Democras and Republicans, has called for the federal assumption of financial responsibility for employment security, housing assistance, medical benefits, and basic nutrition programs. In turn, ACIR recommends that the federal government should consolidate, phase-out, or terminate many of the remaining federal assistance programs. The National Governors Association and the National Conference of State Legislatures have suggested that, in exchange for federal takeover of welfare, the state and local governments should assume full responsibility for education, transportation, and law-enforcement programs. Using arguments quite similar to those of Reagan White House officials, Governor Bruce Babbitt, a liberal Democrat from Arizona, has taken the lead with concrete proposals for the governors and state legislators to negotiate with the Reagan administration.

Finally, a blue-ribbon presidential commission given the task of developing a national agenda for the next decade—the President's Commission for a National Agenda for the Eighties—concluded that the top priority on a social agenda should be the enactment of a competitive, market-oriented national health-insurance program and of a minimum-security income base for all citizens. Concomitantly, this group, which was appointed by President Carter and was composed of Democrats, Republicans, and independents, stated that "the federal government is overloaded" and that it should turn over to state and local governments responsibility for implementing many of the programs encompassed in the 600-odd narrow-purpose categorical aid programs.

As officials of the Reagan administration in its early months revealed their long-range plans—and the rationale behind them—for domestic policy, the profound implications of the contemplated changes became increasingly evident. Richard P. Nathan stated: "The Reagan program makes domestic and social policy changes of an historic character, although packaged . . . as economic policy. It represents the most radical shift in domestic policy since the New Deal."[1]

As Nathan, Senator Daniel Patrick Moynihan (Democrat, New York), and others have noted—and in Moynihan's case pugnaciously protested—the budget process is being used effectively by the Reagan administration not only to combat inflation but also to redirect federal policy. Should the president's new budget priorities prevail over the next four years, the federal government's support of social services would be drastically curtailed, while defense spending would rise substantially. It is estimated that under the administration's projected budgets, defense spending will rise 8 percent per year (in real dollars) and nondefense funding will decline about 15 percent over the next five years.[2]

A second radical shift in domestic policy relates to federalism and intergovernmental relations. Just as the current debate over the fiscal 1982 proposed budget cuts is only the first skirmish in a larger struggle to reshape national priorities, so, too, are the president's six block-grant proposals only the first step toward the larger goals of reshuffling the division of responsibilities between the federal and state governments and of simultaneously changing the political ground rules of the current division of responsibilities between the two levels of government.

---

[1] Richard P. Nathan, lecture delivered at the National Health Policy Forum, Washington, D.C., May 19, 1981.

[2] Congressional Budget Office, *An Analysis of President Reagan's Budget Revision for Fiscal Year 1982* (Washington, D.C., March 1981), p. xiv.

The Administration's Announced Intentions

It could be argued that the administration is already well advanced toward reordering federal, state, and local responsibilities. Even without factoring in inflation, the 25 percent budget cuts proposed in the program areas of the six block grants will shift a substantial burden to states and localities. For the future, the administration intends to hold each of the block grants (except the local education grant) to the level of the fiscal 1982 budget through fiscal 1985. Using the inflation rates projected by the administration, it is estimated that holding these programs constant will result in an average reduction across all the block grants of almost 60 percent.[3]

Administration spokesmen have also been surprisingly candid about their ultimate plans for these program areas, even though the admission has played into the hands of opponents of the current block-grant legislation. For instance, White House Assistant Robert Carleson has publicly stated that the block grants are the first step toward total withdrawal of the federal government from the education, health, and social services programs that are therein encompassed. In an interview he added: "Most if not all of these programs are properly the responsibility of the states. Few would meet the burden of proof that they are truly national in scope and purpose." Carleson also argued that the return of responsibility and authority to the states is "even closer to Ronald Reagan's heart than the budget cuts. . . . The budget cuts became the first priority because of the economic situation we inherited, but the president has been calling for these changes in the federal system throughout his entire political career."[4]

In a number of meetings with state and local government officials, the president has referred to a "dream" that he has regarding the future of federalism:

---

[3] Jule M. Sugarman, "Human Services in the 1980s: A White Paper for Citizens and Government Officials," pp. 16–20.

[4] Interview by the author with Robert B. Carleson, special assistant to the President for Human Resources, May 19, 1981. Also Robert B. Carleson, lecture delivered at the National Health Policy Forum, Washington, D.C., June 2, 1981.

> I have a dream of my own. I think block grants are only the intermediate step. I dream of the day when the federal government can substitute for [block grants] the turning back to local and state governments of the tax sources we ourselves have preempted at the federal level so that you would have those tax sources.[5]

In the meantime, the administration has announced that it will propose additional block grants in the fiscal 1983 budget. What is lacking in all of these statements is a set of guiding principles or criteria that add up to a coherent theory of federalism. The administration so far has proceeded in a piecemeal fashion and has not set forth—beyond the general statements noted above—its long-range goals concerning federalism in any detail. Specifically, which domestic program areas does the president see as basically national in scope, which as the responsibility of state or local governments, and which as candidates for shared responsibility?

Understandably, the economic situation and the difficult struggles over budget and tax cuts will almost completely monopolize the time and attention of top White House planners for much of the administration's first year in office. But beginning with the major policy statements for fiscal 1983 that must come in the president's state of the union address and budget message in January, the administration will find further piecemeal block-grant proposals difficult to defend substantively and politically unless it is prepared to lay out a coherent, comprehensive strategy for reordering the responsibilities of the federal, state, and local governments.

The Case for a Bold Move

The case for the president's boldly moving to assume leadership of a major restructuring of federal priorities and responsibilities can be made on grounds both of general public interest and of the administration's own political interests.

If, as many believe, the Reagan presidency will result in the "most radical shift in domestic policy since the New Deal," then it is in the interest of the public and in the interest of the democratic process thoroughly to air the issues in a national debate. The substantive terms of that debate can be set only by the president; they should deal not with the complicated details of budget items or the arcane judgments about different federal grant forms, but with the larger issues related to the nature, form, and division of responsibilities of the American federal system in the 1980s.

---

[5] President Ronald Reagan, quoted in Lou Cannon and Helen Dewar, "Reagan Asks $48 Billion Budget Curb," *Washington Post*, March 10, 1981.

Politically, the time may be ripe for bold presidential initiatives. In 1972, a period of political stasis in national politics began as relatively weak presidents struggled in vain against the fragmentation in Congress and the power of narrowly focused special interest groups. Though it created more than 200 narrow categorical programs during the 1970s, Congress persistently showed itself incapable of reaching decisions on large issues such as welfare, health financing, energy, and economic policy.

Unlike his immediate predecessors, President Reagan has shown himself to be an extraordinarily able communicator with the public and—thus far—an adroit political operator. The outcome remains uncertain, but the president's successful seizure of the initiative in the budget and tax areas may signal the beginning of the restoration of White House power and authority. After the fiscal and economic questions are settled, an obvious next step would be to move swiftly to launch and control a debate on the federal role in the American political system.

The contrasting approaches and experiences of the Carter and Nixon administrations in addressing major governmental structural reform are relevant to the situation the Reagan administration faces. President Carter made government reorganization a major campaign issue in 1976 and gave it high priority in 1977. The Carter administration, possibly attempting to make a virtue of necessity, made much of the fact that it had no grand design for reorganization and that it would proceed through incremental, step-by-step changes. The Carter administration hoped by this means to limit the opposition of outside interest groups and of congressional committees, whose jurisdictional authority would be threatened. But ultimately, the incremental approach caused more problems than it solved. President Carter's Reorganization Task Force found that it could not proceed very far toward large-scale reorganization without encountering what might be called the "unraveling effect": Major shifts in one program area or agency not only have immediate implications for that program or agency but also often have substantial implications for other programs and agencies. For instance, if, in order to create a Department of Natural Resources, the National Oceanographic and Atmospheric Administration were removed from the Commerce Department, and, in order to create a Department of Community and Economic Development, the Economic Development Administration were also removed from the Commerce Department, where would that leave Commerce? Thus, developing a rationale for natural resource and community development consolidation would result in the need to construct a defense either of a revised department for commercial and business activities or of the nonnecessity for such an entity at the cabinet level. Because it often lacked answers to a number of the questions and issues, the Carter administration found itself vulnerable to opposing interest groups and congressional committees, which, despite the incremental approach, were implacably negative, and which, through a shrewd use of rumor and conjecture, were able to distort the administration's goals and purposes to their own advantage. In failing to develop a picture of what the federal government would look like when reorganization had been implemented, the Carter administration badly undercut its own efforts.

The Nixon administration, in marked contrast, moved steadily from 1969 to 1972 toward a comprehensive view of the federal structure. In its final form, the "new federalism" exhibited a continuum from a highly centralized federal structure—run from the White House and four supercabinet departments—down to general and special revenue sharing for the state and local governments, with federal regional councils as connecting links.

The Nixon cabinet reorganization proposals and the plans for a sweeping revision of the federal grant system with revenue sharing challenged huge numbers of interest groups and almost every committee in Congress. But the Nixon administration—until the impact of Watergate seriously weakened it on all fronts—acted from a position of strength, and the coherence and completeness of its approach contributed to that strength. And while there can be no test case or definitive conclusion, it is likely that had not Watergate intervened, President Nixon would have succeeded in achieving many of his reorganizational goals. At the end of a stasis-ridden decade, a comprehensive program to reform the system of federalism, built on a strong intellectual foundation, might well place the Reagan administration in an equally strong position to achieve its goals.

Henny Penny versus Pollyanna. There are those who think that calls for a major sorting out or reordering of responsibilities in the federal system are both unrealistic and wrongheaded. In his recent articles and lectures, Richard Nathan has espoused this view. Nathan, taking aim particularly at the analyses and recommendations which have emanated from ACIR, writes that ACIR leads the "Henny-Penny school of federalism which holds that the sky is falling, [and] thus we urgently need to adopt basic institutional and programmatic reforms."[6]

Nathan holds that proposals for a major sorting out of responsibilities stem from an oversimplistic view of government. He concludes:

> The arguments sound good and sometimes are made effectively. But we have to remember what Morton Grodzins taught us twenty-five years ago. The federal system has always been a system of *shared* responsibilities. . . . The idea of some tidy rearrangement where some functions belong to the central government, some to the states and some to local governments is attractive, but the world of government, not to mention the rest of the world, is more complicated than that. . . . I would just say that the "Henny-Penny" school tends to reach for simplistic and holistic reforms of the government system that do not fit the values underlying this system.[7]

As noted previously, if ACIR leads the "Henny-Penny" school of federal aid reform, then Nathan could be caricatured as leading the "Pollyanna" school of Alexander Pope, which comes close to arguing that "Whatever is, is right." Certainly any kind of push-button theory of the division of responsibility that assumes a neat—and complete—division is unrealistic. But it is also true that a more rational system assigning each partner in the federation predominance of authority in particular program areas and allowing shared responsibilities for special situations can be constructed. Nathan himself has argued for the federalization of welfare (see below) on the basis of certain criteria regarding the nature of income-maintenance programs and on a judgment of the strengths and weaknesses of having each federal partner—federal, state, or local—assume predominant responsibility. Judgments such as this can also be made for other important domestic program areas.

As an example of the difficulty of achieving a rational, tidy division of responsibility, Nathan has recently cited the case of federal subsidies for local transit operating costs.[8] This is, he states, clearly a local concern, and the Reagan administration is proposing to phase out this subsidy over a five-year period. The Reagan phaseout is misguided, however, because these operating grants have become one of the most important sources of external support for many of the older urban centers that have the most serious fiscal and social problems. Money for these urban centers, not the reason it comes nor the source from which it comes, is the key issue. Equity, he thus argues, in this case should supersede tidiness and rationality.

---

[6] Richard P. Nathan, "Reforming the Federal Grants-in-Aid System for States and Localities" (address delivered to the National Tax Association, Washington, D.C., May 18, 1981), p. 8.

[7] Ibid., pp. 8–9.

[8] Ibid., pp. 9–10.

Yet there could hardly be a better example than this of the need for a more rational ordering of responsibilities. It is clearly impossible for the federal government to make sensible judgments based on a deep knowledge of local conditions regarding the level or scope of local transit operating subsidies. Federal takeover of more truly national concerns (such as welfare), however, would free dollars at the state and local levels, dollars which could be more efficiently used by these governments to address state and local problems, including subsidization of local transit systems if that proved wise or necessary.

A final, important point regarding the current "marbleized" federal system is that the system is based on and has been nurtured by a level of federal resources that will no longer be sustainable in the coming years. The current economic condition of the country and the Reagan administration's first budget have already begun the process of revising federal priorities and responsibilities. It is likely that again and again during the 1980s the federal government will have to make a distinction between programs which are fundamentally necessary to sustain the social and economic fabric of the country and those which are both laudable and worthwhile but are not of the same order of priority. This theme was particularly stressed by the recently published report of the President's Commission for a National Agenda for the Eighties. In the opening chapter, the report stated:

> As we enter the Eighties . . . [a] new constellation of factors—both domestic and international—has arisen . . . that requires the nation to make some fundamental choices. We no longer have the luxury of recommending more of the same in a variety of areas. . . . The nation faces a decade of difficult choices and priority-setting among many important and compelling goals . . . [and it] cannot proceed on all fronts at once.[9]

Toward a Hierarchy of Federal Responsibilities

Previous periods of reform have already placed the federal government in a commanding role in key areas of human need. The social security and Medicare programs provide income security and health care for the elderly; unemployment insurance guarantees a floor under the unemployed; food stamps and other nutrition programs have done much to stem hunger and malnutrition; and low-income housing programs, for all the difficulties that attend them, do represent a major federal commitment to provide decent housing for all citizens.

---

[9] President's Commission for a National Agenda for the Eighties, *A National Agenda for the Eighties* (Washington, D.C., 1980), p. 1.

The administration has acknowledged and accepted this social program inheritance and has committed itself to sustaining that inheritance. Thus, the first criterion applied to the establishment of the fiscal 1982 budget priorities related to social safety nets. The budget stated:

> The first criterion is the preservation of the social safety net. The social safety net consists of those programs, mostly begun in the 1930s, that now constitute an agreed-upon core of protections for the elderly, the unemployed, the poor, and those programs that fulfill our basic commitment to the people who serve the country in times of war.[10]

There are two major national social problems, however, that remain unsolved: welfare and an adequate health-care (financing) system for all citizens. The case for a large—though not monopolistic—federal role in these two areas is quite strong, and any reshuffling of authority among the three levels of government should provide for a substantial national policy and financing responsibility.

The assumption by the federal government of a major role in welfare and health care would mean that national responsibility would have been asserted for the most basic human needs of the *general* population: food, health care, income and employment security, and housing. These would then constitute the "agreed-upon core of protections" and have first call on federal resources.

With these floors established for the support of basic human needs for the general population, the special needs of special populations occupy a second level of priority and should be dealt with largely by the state and local governments.

The establishment of a hierarchy of federal priorities has direct implications for the issues raised by both the proponents and the opponents of the Reagan administration's moves toward block grants and toward a phaseout of many existing categorical aid programs. The assertion of ever-expanding new rights, or entitlements, over the past decade and a half is rooted in the authorizing legislation for the hundreds of categorical programs created during that time.

---

[10] U.S., Office of Management and Budget, *Fiscal 1982 Budget Revisions* (Washington, D.C., March 1981), p. 8.

Opponents of the Reagan administration block grants and budget cuts have come close to asserting that most, if not all, of these individual grants have conferred immutable rights on their beneficiaries and that Reagan's policy would violate a moral compact between the government and the eligible populations. OMB Director Stockman, however, faces the opposite direction, asserting that he does not believe that there is "any basic right to legal services or any other kinds of service, and the idea that's been established over the last ten years that almost every service that someone might need in life ought to be provided, financed by the Government as a matter of basic right, is wrong."[11]

What is being proposed here is a middle way, a framework for establishing a clearer division of authority among all levels of government at a time of limited public resources. The federal government should expand the "agreed-upon core of protections"—federal entitlements—to encompass the basic life-support needs of the general population. Specifically, as a part of any tradeoffs between the federal government and the states and localities, the Reagan administration should take the lead in shaping welfare-reform and health-care-financing proposals in ways that provide for federal policy leadership and financing, though not necessarily for federal administrative control.

Once the federal government has moved to phase in these national social programs, there should be a hard look at its current overextended responsibilities in a number of other areas—in community and economic development, transportation, education, environmental protection, health, natural resources, law enforcement, social services, libraries, and arts and humanities.

Expansion of national foundations for the basic "agreed-upon protection" would allow the administration to argue plausibly and credibly that many worthy individual categorical programs—for example, community health centers, foster care and adoption assistance, special education programs for handicapped children, family planning, emergency medical service, black lung clinics, and fluoridation—must form a second order of priority. Such a reevaluation would not mean that all of the programs would die—there might be strong programmatic or political arguments for the retention of a Head Start program or a migrant health center—but it would mean that funding and support for them would depend on the resources available after the needs of the "agreed-upon core of protections" had been met by the federal government.

---

[11] David A. Stockman, OMB director, in *Issues and Answers* transcript (New York: ABC News, March 22, 1981), p. 18.

Criteria. This monograph is not the place for a detailed analysis and exposition of the criteria for deciding which program areas (and which individual programs) should be turned over to state and local governments. In any case, the political process will dictate a combination of factors to be taken into account. A good starting point would be a serious attempt to evaluate each program area with respect to the economists' criteria of externalities. Where spillovers are large—disease control, research, parks and recreation—more centralized financing and administration would be called for; and where they are small or medium-sized—libraries, streets, mass transit, sewage and refuse disposal—decentralized financing and administration by state or local governments would be used. Second, historical and current funding patterns by the three levels of government, as ACIR has suggested, should be taken into account: that is, program areas already heavily funded by a level of government would become prime candidates for full takeover by that government. Thus welfare and social insurance programs would be candidates for full federal responsibility. Candidates for termination of federal support would—because they are largely supported by state and local governments—include hospitals, education, and police and fire protection.

A third factor would be the strengths and weaknesses of each level of government. The federal government, for instance, remains the most efficient and equitable collector of taxes, but it remains inflexible and inefficient in the delivery of many services. Thus, income transfer programs—social security, unemployment insurance, housing assistance—under this breakdown would become candidates for full federal takeover, while the myriad of social service programs now supported by the federal government (largely through other institutions and organizations) would be left to the other two levels of government.

Finally, pragmatically, one would have to take into account the specific offers made by the National Governors Association and the National Conference of State Legislatures. The governors and state legislators have recommended a tradeoff of welfare and Medicaid costs for state and local assumptions of full financing of highways, education, and law enforcement.

The Case for a Federal Role in the Welfare and Income-Security Programs

The issues related to welfare reform have been fully debated over the past decade and will not be discussed here in any detail. It suffices to say that the rationale for a major—though not necessarily monopolistic—federal role and presence remains strong. The rationale is one of equity and efficiency and of a sensible partnership among the three levels of government.

In our highly mobile society, the spillover effects of poverty across state lines are such that a uniform minimum level of transfer payments to individuals (adjusted for cost-of-living variations) is called for, both to ensure that all citizens will be treated equally regardless of the happenstance of residence and to avoid a needless competition among the states that would distort growth and job patterns. In addition, there are substantial efficiencies in administration to be realized today through the use of computer technology to construct uniform record systems that limit fraud and waste.

In the winter 1980 issue of *Common Sense,* the magazine of the Republican National Committee, there occurred a brief, but instructive, debate regarding welfare reform among three Republicans: Richard P. Nathan, who had served as assistant director of the OMB (1969–1971) and as deputy under secretary of the Department of Health, Education, and Welfare (HEW) in 1971; Paul H. O'Neill, who had served as deputy director of the OMB (1974–1977); and Robert Carleson, who is now special assistant to the president for human resources.[12] Nathan and O'Neill argued for the necessity of a substantial federal role; Carleson made the case for a minimal federal presence, limited to the provision of virtually unrestricted block grants to the states.

Calling more for a "return to first principles" than any specifically detailed solution, O'Neill stated that:

> There are three strong, related reasons for a federal role. First, the needy population is not uniformly distributed among the states. Second, the financial capacity to aid the needy is not uniformly distributed in relation to where the needy live. Third, the federal government provides such a large share of the financial support for the existing programs that it is difficult to see how it can completely extricate itself.[13]

It becomes the role of the federal government to establish broad national policy because "the federal government is the only institution that reflects the combined judgment of our population." Specifically, O'Neill posited that the federal government should decide the total amounts of money that would be made available for the needy population and the definitions of eligibility for that money. The federal government, however, should delegate to the states

---

[12] Carla A. Hills (moderator), Richard P. Nathan, Robert R. Carleson, and Paul H. O'Neill, "Welfare Reform: Federalism or Federalization," *Common Sense* (Winter 1980), pp. 1–30.

[13] Ibid., p. 27.

"interpretative policy and operating responsibilities" because it is incapable of efficiently dealing with state and local variations and administrative complexities. O'Neill opposed giving the states complete freedom to develop their own programs with a system of block grants because, he stated, that would allow them to "design a program that voided the thrust of intended federal policy."[14]

Through a somewhat different path, Nathan arrived at much the same conclusions as O'Neill. He associated himself with a "sensible framework" for domestic policymaking that came out of the "new federalism" of the Nixon and Ford administrations. This framework consisted, Nathan stated, of two ideas: decentralization and the sorting-out of the functions that belong to the three levels of government. General revenue sharing and consolidated block grants were examples of decentralization policies meant to strengthen state and local governments. The sorting-out proposed by the two administrations was that service functions—education, social services, and community development, for instance—would be primarily the responsibilities of state and local governments, while income transfer programs for individuals—such as social security, Medicare, food stamps, and veterans' benefits—would be structured under uniform and equitable federal policies.

Like O'Neill, Nathan saw a role for the states in administering transfer-payment programs. "The best long-run answer," he wrote, "is to have the policies for transfer payments made at the national level, with the federal government providing equalized grant-in-aid payments to state governments which administer some of these payments."[15]

Though for somewhat different reasons than O'Neill, Nathan also opposed unrestricted block grants to states for welfare and stated:

> The idea of a block front for AFDC turns the clock back on welfare policy and would isolate the most controversial and vulnerable group of welfare recipients. It could result in competition by the states whereby some states would hold down benefits and tighten eligibility standards in ways that could eventually result in higher concentrations of the poor in the states with the most adequate welfare benefits. . . . The fact that people and jobs move in a free society is the underlying reason why the burden of financing welfare benefits should be shared on an equitable basis by the society as a whole.[16]

---

[14] Ibid., p. 29.
[15] Ibid., p. 11.
[16] Ibid., p. 10.

Robert Carleson, in holding that ultimately there is *no* federal role in the welfare area, differed fundamentally from his fellow Republicans, Nathan and O'Neill. Gliding over the problems of equity and efficiency set forth by Nathan and O'Neill, Carleson stated: "A welfare system must be designed and administered at the local level of government in order to tailor the assistance to meet the temporary needs of the community's truly needy in a timely and accurate manner."[17] The federal role would be limited initially to unrestricted block grants and eventually eliminated completely by handing over to the states some portions of federal taxing authority.

> Let the federal government make block grants to the states from the funds now spent on family assistance, food stamps, and social services and let the states design their own welfare systems. . . . The amount of the grant can be established at the level required to replace present federal funding with whatever additional amount for fiscal relief may be found necessary. That grant level, once established for a state and indexed for inflation, population changes, and unusually high unemployment, would remain in place without regard to increases or decreases in the state's caseload. . . . Eventually the federal block grants could be supplanted by state funding if the federal government would return some of its taxing authority to the states.[18]

Any move toward "uniform national standards," or "simplification of eligibility requirements," would end up not with a reformed welfare system, according to Carleson, but with a permanent system for the redistribution of income. Carleson was deeply pessimistic about the ensuing results, once such a system is in place. He stated:

> The political dynamics of a representative democracy would act to accelerate the redistribution process. Irresistible pressures would build on Congress to increase the centrally-set benefit levels. Millions of additional persons would receive . . . benefits. More pressure would then build from a greater number of constituents for benefits, another benefits increase would come and on and on, until most Americans would be receiving . . . benefits. Eventually, the nation's economic system would collapse.[19]

Carleson's pessimistic view of the ability of representative democracies to hold down and control social spending has an ironic twist in light of recent events. For instance, AFDC payments to individuals and families declined substantially in real dollar terms during the 1970s, because they are not indexed to inflation and have been held almost constant by federal and state governments. Data compiled by the Department of Health and Human Services show that, in constant dollars, the average monthly AFDC benefit paid to families declined by 56 percent between 1969 and 1980. Further, the Reagan administration developed powerful and bipartisan support for its budget cuts, most of which fall heavily in the domestic social areas that Carleson sees as the source of the "irresistible pressures." The very success of the president's efforts worked to undercut Carleson's 1980 prophecy. Events at the federal level in many ways followed the kind of grassroots revolt against high taxes and big spending evident at the state and local levels for several years. While the situation could change, it seems likely that at all levels of government the forces to hold down spending will remain strong for much of the decade.

---

[17] Ibid., p. 13.

[18] Ibid., pp. 17–19.

[19] Ibid., p. 15.

Further, moving to block grants and tranferring taxing authority to the states will not accomplish the goal Carleson had in mind: removal of the federal government from major responsibility in the welfare area. With both block grants and tax transfer, Congress would still have to decide the overall level of welfare spending for the nation. Carleson stated that the block-grant level would be the "present federal funding plus whatever fiscal relief may be found necessary";[20] but he nowhere indicated on what basis Congress would decide the amount of fiscal relief. In addition, designing a tax transfer to the individual states that took into account all of the necessary economic, social, and political variables would constitute an extraordinarily difficult, if not impossible, task and would in the end be a cumbersome and inefficient method of handling this problem.

The Federal Role in Health-Care Financing

Many of the equity and efficiency arguments that are made for the federal role in welfare apply in the health-care financing area. Ironically, though the subject has often been the subject of emotional and partisan debate, the Reagan administration seems to find accepting a substantial federal role less distasteful in health than in welfare.

One of the options the administration is considering is a national health-care voucher system that would stress competition and consumer choice. Under the system—which is a variation of a plan suggested jointly by David A. Stockman, when he was a congress-

[20] Ibid., p. 19.

man, and Representative Richard Gephardt (Democrat, Missouri)—an individual or a family would be given a voucher to apply to competing health-care and insurance plans. The consumer would be free to shop among various health and insurance plans; thus the emphasis of the proposal is on competition and consumer choice. There would, however, be an important federal role not unlike that suggested by Paul O'Neill in the welfare area. The federal government would establish national policy by prescribing the number and kinds of services that would constitute a minimum health plan and set the eligibility requirements for voucher subsidies for the poor.

In a recent article, in which he described the voucher bill he has introduced this year, Representative Gephardt stated the reasons he was optimistic that the legislation would soon move.

> The political timing is right for such a move. Health and Human Services Secretary Richard S. Schweiker, who sponsored a similar bill in the Senate, reports that this is a priority item for the Reagan Administration. That is not surprising since OMB Director David A. Stockman joined me last year in cosponsoring this legislation. . . .
>
> Certainly such a plan will get a sympathetic hearing from House Budget Committee Chairman James J. Jones and Senate Health Subcommittee Chairman David Durenberger, both of whom have sponsored similar bills themselves. A move in this direction is consistent with the continuing presidential and congressional interest in reducing regulation.
>
> It is ironic, since health care was hardly a major issue in the presidential campaign, to realize that Ronald Reagan's selection may have its most radical impact on the health care industry.
>
> But it is very possible that the President's interest, a continuing concern about costs and a lot of other workable or attractive ideas may bring this about.[21]

Tentative Sorting-Out Proposals

Detailed analysis on particular tradeoff or sorting-out proposals is just beginning; but several tentative proposals, along with rough estimates of costs, have recently emerged. Two are presented here as illustrative of potential regroupings of federal and state responsibilities. The first is a proposal developed by the ACIR, and the second represents a joint recommendation of the National Governors

---

[21] Richard A. Gephardt, "Consumer Choice Medical Care—Needed Now," *Journal of the Institute for Socioeconomic Studies* (Summer 1981), pp. 9–10.

Association (NGA) and the National Conference of State Legislatures (NCSL).[22] Both hinge upon a federal takeover of most or all programs in the welfare and income-security areas, but both are constructed so that they are essentially neutral in relation to the dollar amounts being traded back and forth. They also take into consideration special reasons why individual programs—for instance, bilingual education and certain programs for the handicapped—might remain federal responsibility.

The ACIR Staff Proposal. One of two alternatives developed for ACIR involves 140 existing federal aid programs and totals about $14 billion on each side of the federal-state ledger (see appendix C, table C1). The organizing principle behind the tradeoff would be to federalize all income-security cash-payment and voucher programs, while terminating most federal programs for education and medical, food, and social services.

The goal of federalization and consolidation would be to integrate in a single system four existing types of income-security programs: insurance (social security and unemployment), cash payments (welfare and supplemental-security income), in-kind benefits (housing, Medicaid, food stamps, child care, and job training), and referrals (contacts with social services and job placement).

The program integration would result in a single federal focal point for income-security programs. The consolidated programs would be administered by a network of federal offices built around the present social security office. The ACIR staff foresee a number of administrative savings through such changes as instituting a single eligibility determination for each individual or family, reducing middle-man operations with state and local governments, and consolidating numerous administrative regulations that currently emanate from at least five separate federal departments and agencies. The voucher-related programs would continue to rely on state, local, and private social service medical and housing entities for service delivery on a cost reimbursement basis.

Most of the state and local government costs being taken over by the federal government stem from cash welfare payments and Medicaid. These payments add up to about $14 billion, approximately equal to the dollars state and local governments would lose in aid to education, medical assistance, food programs (other than food stamps), and social services. (The staff proposal foresees that 20 percent of the federal social services money would remain federalized in a child-care voucher program.) State and local governments would also retain responsibility under this plan for general assistance needs that the few consolidated federal programs would not reach (for example, local emergency relief and relief for street people). These general assistance programs would amount to about $1.2 billion.

---

[22] ACIR Staff, "Further Report on Illustrative Functional Trade-Offs," in *Docket Book*, 73rd Meeting (Washington, D.C., April 22–23, 1981), pp. 6–8.

The proposal also takes into account that there are special reasons why some programs should be retained at the federal level. These programs include research—medical and educational research and research for which there is a special federal obligation—and aid to the handicapped, Indians, migrant farm workers, and aliens. In the area of education, the Head Start program and certain bilingual programs would remain federal responsibilities. (See appendix C, table C3 for a list of programs to be federalized, those to go to the states, and those to be retained by the federal government.)

The NGA Proposal. The NGA for several years has been calling for a large-scale sorting out of federal, state, and local responsibilities. In November 1980, just after the presidential election, the NGA and the NCSL issued a joint statement of support for a reorganization of roles among the levels of government and suggested specifically that the division recognize the "primary federal policy function and financial responsibility for national defense, income security and a sound economy, and the primacy of state and local governments in such areas as education, law enforcement and transportation."[23]

In a February 17, 1981, letter to all governors, Governor Bruce Babbitt (Democrat, Arizona) urged an expeditious follow-through with the Reagan administration and presented a specific proposal for a redivision of program responsibilities. He argued:

> President Reagan has told us that he places a high priority on restructuring the American union into a federation of sovereign states. . . . This unequivocal call to reform the federal system, repeated at the Detroit convention, during the campaign and again in the President's inaugural, is unparalleled in recent times. It presents to the Governors a chance to take the lead in a thorough-going reform of the federal system. . . . In recent years, [the] dual federalism system has all but disappeared. Categorical grant programs that began as modest efforts to provide supplemental assistance to local governments have evolved into instruments of federal program domination. . . . Federal invasion of state and local responsibilities will not be reversed by across-the-

---

[23] Ibid., p. 37.

> board budget cuts or other forms of general fiscal reform, however desirable such reforms may be for other objectives. Dual sovereignty can be restored only by a deliberate decision to uproot and terminate federal programs in selected program areas where the states can and will carry out their historic responsibilities.[24]

Babbitt went on to lay out a specific set of tradeoffs in which the states would assume full program and fiscal responsibility for three areas: highways and mass transit, law enforcement, and elementary and secondary education. "Roads, police and schools," he stated, "are the most basic and local of governmental functions; each of these governmental functions commands broad community support and a high percentage of state and local assistance."[25]

Regarding transportation (which uses about $13 billion in federal funds), Babbitt argued that the interstate system was now about 98 percent complete and the states should assume responsibility for its upkeep as well as for the upkeep and maintenance of all other roads and bridges. The same would be true for local mass-transit programs. He stated: "It is difficult to see any overriding national interest in subsidizing local mass transit."[26] For this reason, states and localities should take over, wherever appropriate, the burden of supporting these subsidies.

In the law enforcement area ($500 million in federal aid), Babbitt argued that the Safe Streets Act of 1968 and the Law Enforcement Assistance Administration created by the act were widely acknowledged to have failed in their joint mission to lower local crime rates. "Local law enforcement," he stated, "does not lack for local support, and no one has suggested that the federal government has any particular wisdom or expertise to have an impact with its money in this area."[27]

Regarding primary and secondary education ($6 billion in federal funds), Babbitt noted that "although [federal support] is less than 10 percent of the total intergovernmental expenditures for elementary and secondary education, it has brought with it pervasive federal interference in nearly every aspect of local education." Yet, he stated, federal involvement has been accompanied by a steady decline in national scholastic achievement scores and targeted federal aid has had no measurable impact on stemming that decline. States have also moved in recent years to correct the inequities and disparities in local financing; thus, he concluded finally: "It is now time to reassert the primacy of state and local financing and control of education."[28]

---

[24] Ibid., pp. 35–37.

[25] Ibid., p. 35.

[26] Ibid., p. 36.

[27] Ibid., p. 36.

On the other side of the ledger, Governor Babbitt presented the case for federal assumption of the welfare system. At Governor Babbitt's request, the ACIR staff put together a tentative ledger, backed by a list of programs to be transferred between the federal and state levels of government. (See appendix C, table C2)

Clearly there are a number of potential combinations of programs that could be included in any reshuffling of responsibilities. In addition to the budget categories stressed in the two proposals presented, other areas which have been mentioned as candidates for devolution include food and nutrition, environmental protection (the heavy federal subsidy of waste-water treatment plants), health, and community and economic development, plus a group of smaller areas that now receive federal support such as fire protection, vocational rehabilitation, libraries, and arts and humanities.

In each case, the re-sorting could be flexible and could take into account special situations warranting continued federal involvement or shared responsibilities among the federal, state, and local governments.

Recommendations

The president's 1982 state of the union message is the obvious vehicle for beginning a national dialogue and laying down a national strategy for the future of American federalism in the 1980s. In the welfare-reform and national health-insurance areas, two specific proposals are recommended here as the touchstones for public discussion: the minimum-security-income proposal advanced by the President's Commission for a National Agenda for the Eighties and the health voucher bill put forward by Representative Richard Gephardt.

The Agenda for the Eighties Commission recommended that the present assortment of income-maintenance programs—food stamps, AFDC, and housing and energy subsidies—be scrapped and in its place the federal government establish a minimum-security-income program that would provide an income of two-thirds to three-quarters of the poverty line (adjusted for regional cost-of-living differences) with a sliding tax on earnings above the poverty line. The chief model for this recommendation was the Family Assistance Plan first suggested by the Nixon administration. Though there are undoubtedly difficulties in adjusting the tax to produce incentives to work, the minimum-income-security plan contains elements that should attract both conservatives and liberals. For conservatives the plan would mean wiping out the large and unwieldy welfare bureaucracy, eliminating overlapping and outdated programs, and cutting administrative costs. Setting the floor somewhat below the poverty line would also allow individual states to make their own determinations about the ultimate level of support to be underwritten by public resources, given other demands on the state and local budgets. For liberals, the plan would establish income maintenance as a federally funded entitlement and shift the battle to questions relating to the adequacy of that support level.

---

[28] Ibid., pp. 36–37.

The Gephardt (and Stockman) health-voucher system, which was also endorsed by the Agenda for the Eighties Commission, likewise encompasses elements that should prove compelling for both conservatives and liberals. For conservatives, the dependence on competitive market forces and consumer choice would form a marked contrast to the more intrusive, regulatory approach to health insurance advocated by Senator Edward M. Kennedy and a number of liberal groups and organizations. For the liberals, once again the attraction would be the establishment of a comprehensive federal role and responsibility in the area of health-care financing.

The Agenda for the Eighties Commission estimated that its minimum-security-income plan would cost the federal treasury between $15 billion and $20 billion annually. The Congressional Budget Office has estimated that the Gephardt (and Stockman) bill, over the long run, would cost about $13 billion annually. The immediate additions of these sums to the federal budget would be quite difficult, given the already overwhelming demands on the budget and the overall economic condition of the country. But to paraphrase the 1975 argument of OMB Director Stockman, there is no reason the president could not or should not announce in January 1982, his intention to "carve out a path" in the federal budget, beginning sometime in the next year or two, that would widen gradually to the approximately $35 billion needed to fund these two reforms.

At the same time, in order to make the sorting out of responsibilities a genuine two-way street—and to make way for the new programs—the president should create a mechanism for a formal discussion among the three levels of government about those program areas which would be taken over by state and local governments. The ACIR and representatives of state and local organizations have suggested that the president convene an assembly of representatives of the federal, state, and local governments, as well as representatives of the public at large, to analyze the current state of American federalism and then to make recommendations regarding a redivision of responsibilities and resources. Plans for such a convocation could also be an element in a proposed new strategy for federalism announced in the state of the union message.

Conclusion

This monograph has attempted to present both the political and the substantive cases for the president's moving out boldly in the near future with a set of proposals that would result in a genuine sorting out of responsibilities: a new intergovernmental partnership in which the federal government would assume primary authority for income maintenance and for health-care financing and the state and local governments would assume authority and financial responsibility for yet-to-be-determined program areas such as education, transportation, law enforcement, health and hospitals, environmental protection (particularly capital construction projects), natural resources development, and community and economic development.

The hierarchy of priorities recommended here is not likely to give entire satisfaction either to the administration or to the champions of new "entitlements." The administration seems to have a visceral, ideological negative reaction to the federalization of welfare. And many of its opponents substitute moral outrage for a rational assessment of social priorities. But as the Agenda for the Eighties Commission stated:

> We must face honestly the trade-offs that are inevitable when limited resources confront unlimited claims. . . . We cannot do all that we would like to reduce taxes, to increase living standards, to expand social programs, to improve national defense, to increase private investment, to solve environmental problems, to expand research and development activities, to resolve long-term energy problems and to reduce inflation. . . . The nation faces a decade of difficult choices and priority-setting among many important and compelling goals.[29]

---

[29] President's Commission for a National Agenda for the Eighties, *A National Agenda for the Eighties*, p. 5.

Senator **Danforth**. That concludes the hearing.

[Whereupon, at 12 p.m. the hearing was recessed, subject to the call of the Chair.]

PRESIDENT'S FEDERALISM INITIATIVE

THURSDAY, MARCH 18, 1982

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The committee met at 10 a.m., in room 3302, Dirksen Senate Office Building, Hon. Dave Durenberger presiding.

Present: Senator Durenberger.

Senator DURENBERGER. The hearing will come to order.

Our first witness is Mr. Terry Herndon, the executive director of the National Education Association, accompanied by Wally Young, president of the Delaware State Education Association. Please come forward, gentlemen.

I would also like to say that last night I read the written statements of those who will be appearing today. All of the statements are quite long. We will make them part of the record. I ask that you, for the benefit of those who are here today, try to abbreviate those statements and, for sure, keep them within 10 minutes. We will be using the light as usual.

If you could stick within that 10 minute timeframe we will take the written comments and and other comments you want to add to the report.

I will start with Mr. Herndon.

TESTIMONY OF TERRY HERNDON, EXECUTIVE DIRECTOR, NATIONAL EDUCATION ASSOCIATION, ACCOMPANIED BY WALLY YOUNG, PRESIDENT, DELAWARE STATE EDUCATION ASSOCIATION

Mr. HERDON. Thank you, Senator Durenberger.

For the record, we do represent 1.7 million educators throughout the United States in all 50 of the States, Puerto Rico, and the District of Columbia, and the teachers in our ourseas schools. I raise that only because that is an important part of our perspective; we not only represent teachers in the Nation's Capital, but thorough affiliates representing education in every State capital and virtually every local community in the United States.

In that sense, we will be on the receiving end of any New Federalism program that should emerge from your deliberations.

Most of the conversation at the outset of these proposals seems to allege that the thrust is a mere realignment of the responsibilities of the State and the Federal Government. We have, we think, considerable reason to be skeptical that that would be the ultimate outcome. We derive those feelings largely from our observations as to what has happened with the preliminary block granting programs in the education field.

Our remarks today will focus on the fact that education is, as we see it, a very important Federal responsibility and the proposals that have been made to the American people and to the Congress, in fact, threaten the historic role of the Federal Government in education.

We believe that historic role to be absolutely essential and well-established. It comports very neatly with the American tradition which began with the support for public schools through the Land Ordinance Act of 1785, and has been continued through the enactment of a wide variety of education programs over the last two centuries.

That history is very important, because it seems today that many have forgotten that the Federal role in education is the result of our recognition as a people that our society has certain needs and our people have certain rights.

We also seem to have forgotten that it has required the destruction of the Civil War, many Federal court decisions, and substantial congressional activity to protect the inalienable rights of our people embodied in our Declaration of Independence and subsequently our Constitution. The task of protecting those rights cannot and will not be completed apart from the schooling of our citizens. We simply have no reason to believe that virtually all units of States and local government will take seriously their obligation to protect and to expand these rights to make them meaningful for all of our citizens.

From my prejudiced perspective, I would observe that the States' resistance to the ratification of the ERA is, in fact, one evidence that the task is incomplete.

The NEA maintains that the Government of the United States has three complementary important objectives in education. They are: to assure equal educational opportunity; to enhance the quality of education throughout the Nation and to assure its balance; and to provide general financial assistance to our State and local governments in their efforts to provide that education.

The pursuit of each of these objectives is essential if the children in the diverse regions of this Nation are to receive the education that helps them become contributing members of our society.

We, therefore, would ask the Congress to evaluate various proposals for New Federalism in terms of whether they enhance or diminish these Federal roles in education. We believe the proposal before you diminishes those roles and, in fact, may dissolve the partnership between the Federal Government and the States in education.

Education is and ought to continue to be a national priority which is vital to the economic and national security interests of the United States of America.

Federal spending through checks that are made out to "cash" does not signal the appropriate priority for education. We find much support for our view in the recent deliberations of the National Governors Association.

The position papers of the association and the NEA are very consistent in recognizing the need for our Federal Government to assist State and local officials in providing education programs.

Acknowledging the diversity of our Nation does not negate the fact that we are a nation with national goals, objectives, and requirements. The Federal Government must persist in the assertion that that is so. The proposed New Federalism gives little recognition to the Federal role in education which has been identified and agreed upon by the Governors and by the educators.

Since the President's state of the Union address, well-publicized conversations have been held with Governors, mayors, State legislative leaders, and county officials. To my knowledge, there has not been involvement by State and local school officials in these negotiations.

Has the function of local school boards as funding agencies and taxing authorities for education been completely overlooked? It seems curious that the administration's rhetoric to returning decisionmaking to the local level does not extend to including education officials in the high level negotiations about the future of New Federalism.

In his testimony before this committee, Budget Director David Stockman said the States could opt out of one or more of the categorical programs included in the New Federalism. If a State opted out of a program such as transportation or education, it could use that portion of Federal funds for any lawful purpose through what we will now call super revenue sharing.

That statement starkly tells us that the States will be free to use former education funds as they choose. We view this as a clear statement that New Federalism is not just housekeeping; it is a very profound policy statement.

The administration urges the Congress to say that the Federal Government places no particular priority on the education of the people.

Given tight fiscal restraints States are currently under, education dollars could, and in many cases, would be diverted from long-term human development projects to paving roads or meeting other immediate needs.

The temptation will be nearly irresistible in many quarters.

We are concerned also because of what we see through the illustration of the threat to the Federal role found in Stockman's explanation of phase 1 of the federalism. During this phasing out of 40 programs, surviving funds are allocated to the States with a 15 percent passthrough to cities and towns, but education is singled out as an exception to that rule.

The Education Consolidation Improvement Act required an 80 percent passthrough so the exclusion at least raises the prospect that the 80 percent passthrough will be phased down to zero as a result of the New Federalism.

So we see a clever packaging of a new slogan, that being, "Get the Federal Government off our backs," but we see the prospects for a very meaningful and important and, we think, negative backward slide away from national perspectives and national emphasis on education.

From a fiscal and economic view, the New Federalism may be a nightmare for well-intentional but underfinanced State and local governments trying to absorb the withdrawal of Federal support for programs.

That can be seen in the numbers that have been presented by others in regard to the new trust fund and other shifts of revenue potential to the States as they absorb very real programmatic obligations.

I cite the block grants in education to illustrate my point that the administration's intention is to eliminate, or at least diminish, the Federal role in education.

Chapter 2 of the block grant program consolidates 28 elementary and secondary education programs. This includes teacher centers, emergency school aid, youth development, community education, basic skills, and others. They are all major programs; they have helped millions of children obtain the education they need.

The budget proposals of the administration dramatically reduce the funds available while shifting the responsibility for decisions as to which will be terminated to State and local governments. We have no reason to believe that that pattern will not continue with New Federalism. As this century closes, we face very serious challenges that will require a firm national response.

Our United States must increase the skills of its work force to compete with strong economic rivals; devise effective means of training and employing an entire generation of poor children who are in danger of slipping into a lifetime of poverty and despair. We must train a new generation of scientists who can tap the technological revolution and shape it for the people's benefit. Simultaneously, we must pursue peace while defending ourselves in the face of new international tensions. We believe that it is irrefutable that education must be a key component of such national response.

We look forward to working with the Congress in developing that response.

I ask for your indulgence for a few comments from Mr. Young.

Senator DURENBERGER. Thank you very much, Mr. Herndon.

Mr. Young, please begin. If you could tell us in advance how many minutes you think you will take, we won't need to turn on the light.

Mr. YOUNG. I think it will be very short.

I would like to thank you, Senator Durenberger, and Senator Roth, from my home State, and members of the committee for the opportunity to provide brief testimony today.

Because there has been considerable discussion of the New Federalism in Delaware and, as well, across this Nation, I would like to provide for you the viewpoint of 6,000 educators from Delaware.

We do believe that there is an appropriate role for the Federal Government in education, and we were pleased Senator Roth took an active leadership role in establishing a Cabinet Department of Education to insure that there would be a clear direction instead of the previous muddled, compromised, and bureaucratic direction or lack of direction from the old Department of Health, Education, and Welfare. This Department of Education today has provided an opportunity to give strong, clear direction.

Unfortunately, today's Department sends out scrambled signals that our State and local school districts are having a lot of trouble interpreting.

We believe that problem is due to the fact that the leadership of the Department, instead of concentrating on improving education for children, is, instead, spending their total time and energy on dismantling the Department. I do not think that the members of this committee, nor the public, need to be reminded that there is growing concern throughout this Nation as well as in Delaware about our basic values, institutions, leaders, and credibility all around. We find that the New Federalism, and some of the budget proposals, further aggravate that entire process.

As to specifics, I would like to say without a doubt that in Delaware, we find that the budget cuts proposed on block granting through New Federalism have produced a very negative effect. These cuts, and proposed cuts, have taken a devastating toll on our programs, especially our planning, and most of all, our teacher morale. Teachers, instead of having adequate time to plan programs and spend money efficiently, don't know when the money is coming; whether the money is coming; where the money is coming from; and most of all, don't know whether they will have a job or not. This has had a very negative effect on personnel who deal directly with our children. The block grant for education now in place has meant a reduction of funds to do the same amount of work. Programs in Delaware, and all of our programs that have been in block grants, have been cut. I think for our teachers the message has been clear: these programs that have been block granted are not important to the Federal Government; let the people in the States concerned fight it out and see how they are going to do the same with less.

In addition to the block grant proposals that have provided a new role and support for private education by the Federal Government, there are guarantees for parents of private school students that are not mentioned in the regulations for public school students.

With the proposed New Federalism, States will have a trust fund that will have less money than is currently provided with the existing cut programs. Since school boards are left out of the trust fund process, but education moneys are in the trust fund, could this mean that the Congress could establish a system that would allow education moneys to be used to pave roads, purchase parks, and build office buildings?

Delaware's income and expenditures are from a general fund, and with one small exception, there is no earmarking of revenues. Revenues in Delaware, and I think the rest of the States, are expended where political realities dictate. Tomorrow's reality in Delaware seems to be prisons.

Will this Congress allow incarceration to be a funding priority over education?

The New Federalism has also provoked an immense reaction in Delaware because we do not have, as local school districts, the ability to raise taxes to fund our budget. The school referendum is the last possible opportunity that our citizenry has to express whether or not they want their taxes increased. So funds——

Senator DURENBERGER. You don't have an annual budgeting process? You don't have access to the property tax?

Mr. YOUNG. The school districts may spend what the property voters in the last referendum authorized. Until the school districts is willing to go back to the voters, which occurs every 2 or 3 years, their funds cannot increase. The day before yesterday——

Senator DURENBERGER. Sounds like a responsibility problem.

Mr. YOUNG. The 14 property tax referendum in the Severt school district was defeated. So we cannot merely throw back the costs to places that have no ability to raise those taxes. Our legislature is not going to raise taxes. They have to provide a two-thirds vote necessary to make an increase in taxes, and that is not going to be a political reality at this particular point in time. So we are faced with a possibility of doing the same or more with less funds and no place to raise additional revenue.

When the trust fund——

Senator DURENBERGER. Are you getting near the end? We have more people to testify.

Mr. YOUNG. When the trust fund expires, I would ask, where will we, in Delaware, raise additional funds? Our basic source of revenue is the personal income tax. I think it has been a goal of this administration to cut taxes, personal income taxes so people would have the money to spend.

Finally, I would like to say that in Delaware, we do need substance, structure, and direction to continue to expand the Federal role in education. The present administration offers little more than smoke, mirrors, and certainly less money. Delaware, this Nation, and all our children deserve better.

Thank you.

Senator DURENBERGER. Thank you both for your testimony.

I have just a brief prelude to my question. Everyone has a different version of the New Federalism. I read your statements and listened to your testimony to be primarily an attack on what the administration's version of the New Federalism mean.

To a degree there is some confusion between the New Federalism proposal and the block granting and cutting proposals which we see at the budgetary end of the system. In that, you are not unique. There is a great deal of confusion out there because they all come out of the same administration. There is a lot of confusion about the relativity of budget cuts and a process of determining at what level of government—or on what shared basis among various levels of government—we can do a better job of meeting the needs of the people in this country.

The bottom line on both of these discussions—for budget cutting and the New Federalism—always is the adequacy of resources. It seems to me that we have operated for some time on the theory that there are limited resources—public and private resources—available for education, health care, food stamps or whatever. I don't believe that is necessarily the case. I think that an individual in need, or a person who perceives an individual in need, or a government or a particular unit of society perceiving a substantial amount of need will go to almost any end to find a way to meet that need as long as they can satisfy the other needs of society—for example, their own housing, shelter, jobs and so forth.

What preceded this administration and the New Federalism is a dissatisfaction in this country, over the last 10 years, with the way resources are presently being used. I ran for public office for a year and a half before I got elected. I listended to approximately 4 million voters, so I don't consider myself an amateur. And I will run again this year, so I don't consider myself an ameteur on the questions running through peoples' heads. They are bothered that elementary and secondary education, for example, is being measured in terms of dollars spent. This is the same way we measure national security, in terms of how much money we put in the National Defense budget. Baloney.

That is not a good method for measuring the national security or the quality of education. Every teacher is frustrated by the community standards which measure the quality of education in terms of the willingness to part with more dollars.

Just by way of a general observation, I think we all have the same problem. We are all trying to head in the same direction. Our resources are all out there in the same communities. The way I perceive the approach to a New Federalism is to try to find better ways to involve the various levels of government, the private sector, and the individual in meeting those needs. It isn't a matter of our getting out of any business and dumping it on somebody else, even though it may appear to be that.

You can start with a premise and look at some of the recommendations that I have made to the President and others about a permanent trust fund—the Federal resource base. It seems to me, Terry, when we get to your statement of Federal purposes in education, you have assured equal educational opportunity. This is a terribly broad statement into which we can bring an awful lot of things: "Enhance the quality of education in our Nation." Obviously that is very broad. Then you recommend that we provide general financial assistance to our State and local governments.

Those are certainly arguable Federal purposes. They may be appropriate societal or governmental objectives. However, we could argue all day long about exactly what our role at the Federal level is in assuring equal educational opportunity.

I spent a lot of time on the phone last night with a special education teacher who happened to be in our wedding and is my wife's best friend. She has personally been level-funded for 5 years. She has been living for 5 years at the same rate. This past year she took a $1,500 a year cut. She looks at these proposals and will go back there because she doen't have another option. There aren't any other jobs in Minnesota today, so she will stick with it.

When I look at assuring equal opportunity, I see title I. I see the President keeping compensatory education as an important Federal responsibility, so I don't worry about title I except in a budgetary sense. I say stop cutting it if you think it is an important Federal responsibility and the needs are out there. Stop cutting it at the budgetary stage. I don't know what, precisely, you can tell me our role is in the area of quality of education and general financial assistance.

I could, under quality of education, refer you to Lester Thurlo, who sure is no supporter of this President, as far as I can tell, philosophically. I heard him speak out in Minneapolis a couple of weeks ago on the future of education. He said, "This year, for the first time in 18 years, S.A.T. scores have not dropped." They have been dropping for 18 years. This is the first year they didn't drop. He gave us some statistics from New York City in terms of literacy tests given by the telephone company. Then he said, "Why is it that we pay science teachers the same as we pay physical education teachers when we have a shortage of scientific people in these areas?"

You have heard all of this before, but I think he was appealing to a certain sensitivity that people out there have about the way the system operates. Why are teachers rewarded and paid only by going to summer school and getting some credits? Why aren't they rewarded for their particular contributions to society at a particular time in meeting a particular need that society has?

Then he talked about the difference between education and training. Clearly, we are educating a whole lot of people. That is good for our society. But he said, "How are we going to get to the computer society when we haven't even got enough people to operate selectric typewriters?"

He may be exaggerating these points, but I think that is a concern which the American public has for education today.

Wally also made the point I really believe it is important to have the Secretary of Education sitting with the President along with the Secretaries of State, Interior, and the others for quality reasons.

I don't just measure quality in terms of the Federal dollars that go into a system. I measure it in terms of the adequacy of the response systems out there to meet the needs of young, old, and disabled people. I don't just measure it in terms of dollars.

We get right down to the bottom line of the New Federalism where I would ask you if you were involved—I don't know why you are not involved in the negotiations. If you were involved in the process, is there something you would say to the President in the context of how do we get more out of what we have in this country?

How would we change the current system to improve access to education, improve quality of education, improve public confidence in the educational system, improve the emphasis on compensatory education, on vocational education, on a variety of these things; and improve the rewards of teachers as they go into the system?

Do we just keep the system going the way it is now with categorical grants coming out of the Federal Government—97 requirements coming with every grant telling you exactly how to spend the money, a variety of State passthrough mechanisms, and teachers out there fighting for the right to strike?

What would you tell the President? What could be better about this Federal system in the way it meets the needs of people, particularly those at the elementary and secondary level?

Mr. HERNDON. First, let me say I know clearly why I am not involved in the negotiations. The question is: Why aren't the State and local officials involved in the negotiations? However, if the President were to tolerate my involvement, there would be a number of things that could be said. One is that no realinement of responsibility for programs is going to be fairly tested or that, therefore, ever fairly evaluated if it occurs in the context of persistent budget cutting devices.

As you have indicated yourself, Senator, if, in fact, the education of our children is important and is an important Federal function, then the way to do that is stop the process of decimating the budget.

That is true for the other sources of education and the other sources of welfare programs. If they are important, and if what we are about is tidying up administrative relationships, then we need to find a way to hold resources constant so that we can evaluate the various administrative configurations.

Senator **Durenberger**. Don't say "tidying up" the administrative relationships. That isn't where we are. We are not tidying up anything.

Mr. **Herndon**. Let's talk about redistricting administrative responsibilities. We might have totally different persepectives, but if you say the States cannot rate this program better than the Federal Government, you have totally avoided the question, "Is that a benefit program; is that a social support system that this society ought to sustain?"

If the answer to that question as a matter of public policy is yes, and if we have a revenue system that has provided the sources for that program and we have an appropriations process that has provided those resources, it seems to me to be irresponsible to terminate all of that based on the hope that it will be replaced by decisions in 50 different places.

There will be a number of States where the majority of a State Legislature might be disposed to generate the State revenue required to sustain a program formerly funded by the Federal Government, but they simply cannot do that because of recent legal adjustments that require a two-thirds vote.

Clearly, the deck is stacked against any program that is shifted from a Federal revenue base to a State revenue base in the present political and economic environment.

We don't know what this President intends in regard to the relationship between education and New Federalism. It is raised very generally as a topic to be considered.

We perceive the mere consideration to be a substantial threat, because we believe the Federal Government ought to say to the people, "There are very, very social, economic, national security needs that have to be met through schooling."

You ask me, how can we begin to restore public confidence? One would be for the President, for the Members of the U.S. Senate, for the Members of the Congess to clearly articulate our dependence upon quality schools. Then, speak to improving those schools and solving problems in those schools in the context of a national commitment to quality schooling.

The suggestions that what we are about is building better schools rings as a hollow contention when it is in the context of radical budget cuts for schools.

Senator **Durenberger**. What can we do, Terry, other than play with money and mandates? Just last week the Minneapolis School Board impressed the heck out of everybody in one sense, and alarmed them in another, by closing 18 schools. Minneapolis is not a very big city—400,000 people or so—to have closed down 18 schools.

As far as I can tell that really doesn't send any clear signals about the quality of education. It may well be that the quality has improved by keeping those schools as close to the families as possible.

My question is, other than money and mandates, how would you see us improving the Federal role in education?

Mr. HERNDON. Prior to the election of this administration, we advocated certain program consolidation.

We are not eternally and always opposed to that as a concept. We think there has been excessive administrative intrusion. There have been too many administrative impositions. But the programmatic impositions have been slight. The programmatic decisions are going to have to be made locally as long as we place the responsibility for schools in that area.

The program in the past for targeting money on special populations has been a very constructive one. That needs some finetuning. That does not need to be thrown away.

Senator DURENBERGER. That is not what I heard from the people representing Minnesota at the hearing on the New Federalism. They don't just say, "Fine, tune it a little bit." They say that they are driven crazy by those 97 different sets of categorical mandates.

Mr. HERNDON. That is exactly where I was headed, because I believe a part of what drives them crazy is an administrative overburden, not a programmatic overburden, and the fact is that in your State, more so than in most, the Federal Government pays an insignificant amount of their overall costs. It is about 8.5–9 percent across the country; less than that in Minnesota. The Federal Government came through a montage of 120 programs, independently administered, and, I might say, that is one of the problems we wanted to solve in the Department, which has yet not had time to address it.

The paperwork associated with the 6 percent or the 7 percent, I think—in Minnesota, 5 percent—exceeds the paperwork required for the 95 percent.

That is an endless frustration, but the other thing that we have found in much of our research about that paperwork is that a lot of the burden on the local school authorities is the result of State authorities piggybacking on the Federal requirements and saying to the local authorities. "Since the Federal Government wants these three bits of data, we will just ask them for these seven bits at the same time."

Then the State authorities scapegoat the Federal authorities whenever there is a complaint on the matter. I have not seen an effort by the Congress, through its oversight procedures, to go out and build a data base to really sort out the part of that problem that emanates from Federal regulations as opposed to State piggybacking on Federal regulations.

I am going to ignore the 100 minor programs. I talk title I; I talk impact aid; I talk vocational education; I talk about these major Federal programs.

I don't think you will find very many State and local authorities that want to risk those programs because the administrative burden is excessive.

They want to correct the administrative problem, but they accept the legitimacy of target Federal dollars for those programs.

There have been other programs by the Federal Government, in our not too remote district, that solve some national problems through targeted money.

If we went back to the National Defense Education Act, in 1957, the Soviets sent up Sputnik. There was great alarm among the American people about the inadequacy of scientific and technical education. There was a dramatic effort made to upgrade the skills of teachers and the interest of teachers through the National Defense Education Act. There was a massive retraining program of teachers. There was Federal money for curriculum revision and curriculum upgrading.

Most of the clinical observers of the schools observed that those Federal dollars did have an impact. Then we said, "everything is OK," and began phasing out the programs.

It is now 20 years later and once again, we are alarmed by the fact that the science teachers, math teachers, technical teachers are leaving teaching to do something else.

The stimulus and the recognition that came from the National Defense Education Act and its training and learning opportunities for teachers did much to increase the interests of those people in teaching school.

Senator DURENBERGER. Let me just ask one more question to make sure I understand your perspective.

The proposal, of course, is not to turn back Federal money. It is, in effect, to offer the States the opportunity to take back the educational block grant, and in a broader sense——

Mr. HERNDON. You are talking from a different perspective. Our perspective is it offers the States the ability to decide which programs will stop, because it is in the context of declining funds.

Senator DURENBERGER. Declining?

Mr. HERNDON. Declining money; whether we are talking about block grants or New Federalism, the dollars are going down.

Senator DURENBERGER. If I can't get you off of the President's proposal and onto what ought to be, I will just stop asking questions.

There have been several parts to the proposal.

First is the income security swap. The second is the turnback. The third is the possible permanency of the revenue resources. That is the one I disagree with the President on in terms of permanent revenue. I want the trust fund to be permanent.

Let's assume a permanent trust fund is established with the States having the option of picking up Federal programs, particularly if the trust fund is a percentage of the Federal income tax and, hopefully, will grow rather than decline. Is your problem with that—the second swap part of federalism proposal, the list of 42 programs or whatever it is called? Is your problem with the fact that much of elementary and secondary education, other than title I and some other comparable compensatory education programs, is in there? Or, is it because it is up to the States to make the election and there is no mandated passthrough of funds from the State level down to some other level?

Did you understand my question?

Mr. HERNDON. I think I understand the question, but I am having some difficulty with it as an either/or proposition, which denies me the opportunity to be concerned about both, because we are.

We say that history suggests that school boards and, to a lesser degree, State authorities will always be in a box that I think you fairly well described; that is, they will have to face more demands than they have resources.

It is essential that physical box that they live in all the time that they will always live in that creates an overwhelming pressure that is greater at the local level in the State, but as you get closer to the electoral process, it grows; to exclude powerless constituencies to the benefit of the powerful constituencies of the middle class, relatively well-endowed parts of the population, who will make out better than others regardless of the quality of the public school.

They have large numbers of alternatives. So the non-English-speaking children; the poor children; the handicapped children; the other minority constituencies get squeezed out in that competition for resources. So that however the Federal Government proceeds, it is in the best position to deal with the ethical and moral obligations of the whole society to serve all of the people, including those who don't win many political fights locally.

Senator DURENBERGER. I don't believe this. You have now succeeded in mixing the disadvantaged with all other young persons who need education. You have left me thoroughly confused and without an answer to my question.

The way I interpret your response to that, you just don't want to give up what we have right now, which is a fairly direct Federal involvement in education. You are not willing to sort out those who have equal access problems from those who just need education and may have the means to achieve it on their own. These individuals go into the public school system and get it off the tax base which is perceived to be limited and in competition with health care, sewer systems, and a whole lot of other demands.

Mr. HERNDON. The Federal Government uses its power to protect those who would be left out locally. Education is generally funded by State and local authorities for the whole of the population.

We favor general aid to education. We would like to see that some day, but not if it means the Federal Government is going to back away from protecting the powerless minors.

Senator DURENBERGER. Thank you, very much.

I appreciate your statement and your presentation and your responsiveness.

[The prepared statements of Mr. Herndon and Mr. Young follow:]

PREPARED STATEMENT OF TERRY HERNDON

Mr. Chairman, Members of the Senate Governmental Affairs Committee, I am Terry Herndon, Executive Director of the National Education Association. I am accompanied by Wally Young, President of the Delaware State Education Association. Our organization represents 1.7 million members in all fifty states, Puerto Rico, the District of Columbia, and the teachers in our overseas schools. I mention this because we are an organization at the national, state, and local levels. The NEA is national in scope, but, through our state affiliates, we represent education in every state capital. Through our 15,000 local affiliates we represent education at the local level also. We are concerned about the New Federalism from all three vantage points. In a very real way we will be on the receiving end of the New Federalism.

The alleged thrust of the New Federalism is to realign the responsibilities among the states and the federal government. This will have a profound effect on local governments and the services they provide for their citizens. NEA members, teachers in every community in America, insist that the New Federalism be the fair deal described by Senator Roth in his statement of February 4, 1982. At this point, considering the government's record of using education block grants as a thinly disguised ruse for budget cuts, we are skeptical. My remarks, therefore, focus on education as a federal responsibility and the threat to its stature in the New Federalism proposed by President Reagan.

HISTORY OF FEDERAL ROLE IN EDUCATION

The NEA believes there is an historic and absolutely essential federal role in education. The historic origins of federal support for public schools can be traced to the Land Ordinance Act of 1785 and the Northwest Ordinance of 1787 which reserved lands for public schools. Throughout our history there has been federal support for public schools.

In this century, Congress, recognizing national needs, enacted the Smith-Hughes Act of 1916 which provided federal support for vocational education. The National Civilian Vocational Rehabilitation Act of 1920 created a national rehabilitation program. Impact Aid assistance has been provided to localities affected by a federal presence. The National Defense Education Act, signed by President Eisenhower in 1958 in response to Sputnik, recognized the clear connection between an educated people and national security. The GI Bill of Rights and the Higher Education Act of 1965 have provided college education for millions of Americans.

The Elementary and Secondary Education Act of 1965 represented a profound federal commitment to extend, expand, and improve educational opportunity for all Americans. Title I of this Act has provided funds specifically for the education of economically disadvantaged children. Title I is acknowledged by Secretary Bell in recent Congressional testimony as a program which works.

The Education for All Handicapped Children Act signed by President Ford in 1974 guaranteed access to education for handicapped Americans. The fact that this Act passed only eight years ago should raise a question as to when all handicapped people would have had access to education if there had not been a federal role.

The history is important because many seem to have forgotten that the federal role in education is a result of recognition that our people had certain rights and our society had certain needs. But it has taken a destructive civil war, federal court decisions, and Congressional action to extend and protect the inalienable rights embodied in our Constitution for all our citizens. That task is not completed, and apart from schooling never will be. We cannot assume that all Americans in every state and locality have equal opportunities or that all governments intend to provide them. Our states have yet to ratify the Equal Rights Amendment as one example of our incomplete task.

The NEA maintains that the government of our United States has three complementary objectives in education: to assure equal educational opportunity, to enhance the quality of education in our nation, and to provide general financial assistance to our state and local governments. The pursuit of each is essential if children in the diverse regions of our country are to receive the education which helps them contribute to our country.

THE ADMINISTRATION'S NEW FEDERALISM WILL DIMINISH THE FEDERAL ROLE IN EDUCATION

The NEA asks Congress to consider whether the New Federalism would enhance or diminish the federal role in education. We believe it diminishes and may dissolve the partnership. Education is a national priority which is vital to our economic and national security. Federal spending through checks made out to CASH does not signal that education is important.

At the recent meeting of the National Governors' Association in Washington the NGA adopted a position on education which "recognizes that in matters of overriding national concern, those not limited to any one state or group of states, the federal government does have an interest and responsibility." The Governors' position paper identified guaranteed equal access, education for special populations, and preparation of our work force as federal responsibilities.

The position papers of the Governors' Association and the NEA are consistent with the recognized need for our federal government to assist state and local education officials in providing education programs. Certainly, as has been said in many quarters, we are a nation of state and local governments. Acknowledging the diversity of our nation does not negate the fact that we are a nation with national goals, objectives, and requirements. We believe the federal role in education is essential. The proposed

New Federalism gives little recognition to the federal role in education identified by our nation's governors and educators.

IMPACT OF ADMINISTRATION'S NEW FEDERALISM ON STATE AND LOCAL EDUCATION

Since the President's State of the Union Address, well publicized conversations have been held with governors, mayors, state legislative leaders, and county officials. Perhaps I missed something but I haven't noticed state or local school officials included in these negotiations. Has the function of local school boards as funding agencies and taxing authorities for local education been overlooked? It seems curious that the Administration's rhetoric about returning decision-making to the local level does not extend to including officials in the high level negotiations which will define New Federalism.

In his testimony before this Committee on February 4, Budget Director David Stockman said states could opt out of one or more of the federal categorical programs included in the New Federalism. If a state opted out of a program such as transportation, education, community development, or social services it could use that portion of federal funds for any lawful purpose under what Mr. Stockman called "super revenue sharing." That statement very starkly tells us that states will be free to use education funds as they choose. We view this as a clear statement that New Federalism is not housekeeping; it is a policy statement. The Administration urges you to say, "The federal government places no particular priority on education." Given the tight fiscal restraints states are currently under, education dollars could be diverted from long term human development projects to paving roads or meeting other immediate needs. The temptation to use these "new federal" dollars to address short term needs will be considerable.

Another illustration of my concern that the federal role in education is threatened can be found in Mr. Stockman's explanation of Phase One of the New Federalism. During this phasing out of 40 federal programs, the surviving funds are allocated to the states with a 15 percent pass through to cities and towns. Education is singled out for exception to this pass through.

The Education Consolidation Improvement Act enacted during the budget reconciliation process last year requires an 80 percent pass through of education funds to local education agencies. Within a short transition period the 80 percent pass through of ECIA will be New Federalized to a zero percent pass through to our local schools. We can only conclude that the real effect of not providing a pass through to school districts under Phase One of the New Federalism is to lessen federal support for local education.

The New Federalism packaged to reflect the comfortable slogan of getting the federal government off our backs could very easily be the beginning of a backward slide away from national perspectives. From a fiscal and economic view the New Federalism may be a nightmare for well intentioned but under-financed state and local governments unable to absorb the withdrawal of federal support. Despite the allure of a Trust Fund our states do not have nor are they likely to have the resources of our federal government.

My understanding of the Trust Fund is that it will contain $30.2 billion in fiscal 1984, while the 43 programs to be new federalized are projected to cost $39 billion in the President's fiscal year 1982 budget. The difference will give the states two choices: increase revenues or cut services. Senator Moynihan in a February 7 New York Times article "The Trade Isn't A Bargain" presents a chart which graphically illustrates the fiscal burden the New Federalism will bring to the states.

We contend that the New Federalism must be viewed in the total context of this Administration's program. The budget cuts in education, the efforts to abolish the Department of Education, the support of private education, and the reduction of funds for block grants, indicate an agenda designed to eliminate the federal role in education.

ECIA AS PROTOTYPE FOR THE ADMINISTRATION'S NEW FEDERALISM

I cite block grants to illustrate my point that the Administration intention is to eliminate the federal role in education. Chapter Two of the Education Consolidation and Improvement Act of 1981, the Education Block Grant, consolidates about 28 elementary and secondary education programs. Some of the programs affected by the block grant include Teacher Centers, Emergency

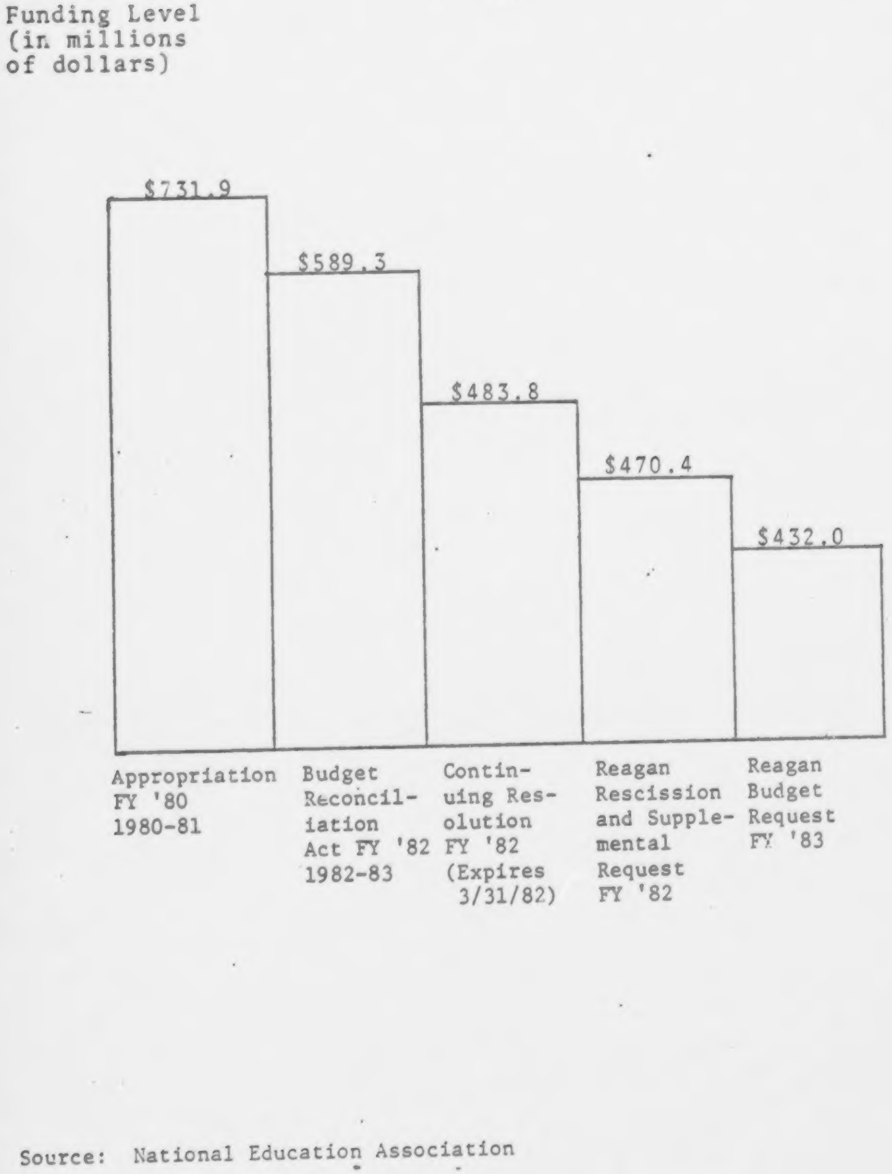
School Aid, Youth Employment, Community Education, Basic Skills Improvement, and Education Proficiency and Teacher Corps. These are major programs that have assisted millions of children to obtain the education needed to function in our society and thousands of teachers to help them.

The funding of the previously categorical programs under the block grant has been reduced substantially (almost 50%) from FY '80 (1980-81 school year) to FY '83 (1983-84 school year). The attached chart graphically illustrates the drastic reduction in funding levels for these programs.

The proposed regulations for the implementation of the block grant were published on February 12, 1982. The regulations reflect the Administration's efforts to deregulate and to provide maximum flexibility to states in administering and designing education programs. The NEA has analyzed the proposed regulations for the block grant based upon the three major objectives which I assert to be the essential federal role in education. (We have established "Principles For Consolidation" which we employ in evaluating any proposal to consolidate programs or to enact a federal education block grant system. The principles are attached as an addendum to my testimony.)

The Administration's proposed regulations for the block grant fail to pass the test of NEA's "Principles For Consolidation." Specifically, there are no assurances that the purposes of the law

CHRONOLOGY OF FUNDING LEVELS FOR STATE EDUCATION BLOCK GRANT (CHAPTER II OF ECIA)



Source: National Education Association

will be fulfilled. It is shocking that specific provisions are included for the administration of programs and the provision of services to children in private schools, while there are no guarantees for the provision of services to public school children. At the same time, the proposed regulations do not provide guidance for state education agencies and local education agencies in implementing the law.

The net effect of Chapter Two of the Education Consolidation and Improvement Act and the proposed regulations from the Administration will be to reduce funding, diminish federal assistance through specified programs, and provide greater guarantees of services to children in private schools than for children in public schools. The block grant prototype shows that historic federal support for education is in jeopardy. We have completed similar appraisals of Chapter One of ECIA, and of the Administration's proposals to gut the Education for All Handicapped Children Act through an additional block grant. We will provide our analysis of these proposals as well as a more detailed appraisal of Chapter Two to the Committee.

THE FUTURE OF EDUCATION IN AMERICA

As this century closes, we face serious challenges that will require a firm national response. Our United States must increase the skills of its work force to compete with strong economic rivals.

devise effective means of training and employing an entire generation of poor children who are in danger of slipping into a lifetime of poverty and despair, train a new generation of scientists who can tap the technological revolution and shape it for our people's benefit, and simultaneously pursue peace while defending ourselves in the face of new international tensions. Education must be a key component of such a national response.

The National Education Association and its state and local affiliates are determined to maintain and improve the quality of education provided America's children. We are committed to the principle of equal and unrestricted educational opportunity. We will not abandon the belief that the federal government must be an active participant in achieving these goals. Our free nation's commitment to its future is most directly demonstrated through its active support of education. The federal role in that effort is the national affirmation of that belief. It is also a realization that the federal government is the only level at which certain elements of equity can be achieved. We do not see the Administration's New Federalism as an enhancement of the federal role in education. It is quite the opposite.

There are many questions which must be addressed before Congress acts on the New Federalism. I have focused on education. The list of uncertainties stemming from the Administration's proposal grows longer every day. The National Education Association asks Congress to study this issue very carefully. Its impact, if enacted, will be greater than the rhetoric which proclaims it. New Federalism as presented by the Reagan Administration could very well be the signal that the United States is losing sight of its national objectives and prefers to become a nation of 50 random parts, rather than 50 partners in one sovereign nation. We look forward to working with this Committee as it studies this issue. Thank you for the opportunity to speak before you today.

ADDENDUM

NEA PRINCIPLES FOR CONSOLIDATION

The National Education Association believes that the following principles must be observed in evaluating any proposal to consolidate programs or to enact a federal education block grant system.

1. *Consolidation must be a process for achieving education goals more effectively and more comprehensively than is now the case, and must not be a vehicle for budget cutting.*

2. *Consolidation should be designed to serve* **all** *of the children within the scope of the programs involved better than they are served by the individual programs, and, to that end, it should include planning and funding procedures designed to achieve the purposes of the programs being consolidated.*

3. *Consolidation should promote equality of educational opportunity and should include adequate procedures to ensure that the children intended to be served are, in fact, being served.*

4. *Consolidation should be designed to encourage the states and localities to increase their efforts in funding public schools. Maintenance of state and local effort must be required.*

5. *Consolidation should enhance the use of the federal funds to directly benefit children in the classroom at the local level through delivery of educational services.*

6. *Consolidation should not eradicate specific education programs that have been directed toward discrete educational problems about which the states and localities have not been sensitive in the past.*

7. *Consolidation should reduce administrative overhead, paperwork, and regulation at both the federal and state levels.*

8. *Consolidation should focus on improving the capability of the public school systems to deal with the needs of all children for whom they have responsibility.*

9. *Consolidation should facilitate the enforcement of our anti-discrimination laws designed to end discrimination on the basis of race, color, national origin, and sex.*

PREPARED STATEMENT OF WALLY YOUNG

I would like to thank Senator Roth and members of the committee for the opportunity to provide testimony today. There has been considerable discussion of the New Federalism and the federal role in education and I am glad to give you the viewpoint of 6,000 educators from Delaware.

We believe in an appropriate role for the federal government in education and were pleased when Senator Roth took a leadership role in establishing a Cabinet Department of Education to ensure that there would be clear direction instead of the previous muddled, compromised and bureaucratic direction or lack of direction from the Department of Health, Education and Welfare. This Department of Education has provided an opportunity to give strong, clear direction of the federal role in education rather than one more program or regulation piled on a host of others. Unfortunately, the Department signals are scrambled to our state and local school districts as those now directing the Department concentrate on dismantling, diminishing and destroying the Department, funding and the federal role in education rather than directing their energies toward improving education and helping ensure the education of our future generations.

I do not think I need remind the members of the committee that there is a growing concern in this nation as well as Delaware about the credibility of our institutions, leaders, prosperity, productivity and values. I would submit that the concerns and questions today should elicit a similar response as was evidenced with the launching of the first Sputnik when our country purposely planned to massively strengthen our education system. Unfortunately, the response, so far, has been limited to military and arms strength rather than to strengthen the education of those that will be charged to carry this country through these problems and others that will surely come.

As to specifics, I can say without a doubt that this administration's effect upon education has been entirely negative. Massive budget cuts and proposed cuts have taken a devastating toll on programs, planning and teacher morale. The continued discussions of concepts that provide only cuts have left educators in suspended animation as to any meaningful planning.

The Block Grant for education now in place has meant a reduction in funds to do the same work. Programs in the Block have all been cut. The message is clear. These programs are not important to the federal government -- let the people in the states fight it out as to what programs are to get less money.

In addition, the Block Grant provides a new role for federal support of private education as the Block Grant regulations provide for equitable services to private school students with an administrative bypass due process procedure for private school students who do not think they are getting their due services. Incredibly, there are no such guarantees for due process for public school students.

With the proposed New Federalism, states will have a trust fund that will be less than the money presently provided by the federal government to fund existing already cut programs. Since school boards are left out of the trust fund process but education monies are in the trust fund, could this mean that Congress would establish a system to allow money formerly going to education, to be used to pave roads, purchase parks, build offices? Delaware's income and expenditures are from a general fund. With one exception, there is no earmarking of revenue. Revenues are expended where political realities dictate. Tomorrow's reality seems to be prisons. Will the congress thus allow incarceration to be a funding priority over education?

The question of whether the purpose of Block Grants is to eliminate the role and funding of the federal government is easily answered -- yes.

The programs of the 1980-81 school year in the Block Grant are cut by 50% in the proposed 83-84 budget.

Delaware could raise taxes, however, we would need to raise $46.3 million new dollars to maintain 43 programs currently federally funded. For our 1981 budget that would mean an 8% tax increase just to keep things as they are now and cover for the proposed cut federal revenues.

Finally, I would like to touch on the proposed Block Grant for handicapped. As I am sure you know, this country has made great strides in helping handicapped citizens become meaningful and productive resources for our country in addition to making their lives more meaningful. Most of this progress can be directly attributed to the public school system of this nation as directed by a deliberate policy of our federal government in the passage of PL 94-142. We all witness and benefit from the outstanding success of this law as implemented by our teachers.

The proposed handicapped Block Grant would negate this progress and take us from mainstreaming back to an era of locking the mentally and physically handicapped away from and out of sight of society; or worse yet, to ignore them with no help available. The regulations for PL 94-142 have ensured equal educational opportunity in the least restrictive environment. Now we have a proposal to gut at least 16 and possibly 20 of the regulations that are the substance of truly helping the handicapped. We could be left with the false hope of the form of PL 94-142 with no substance of regulation or money. That would be unconscionable and unforgiveable.

In summary, I would say that in Delaware we need substance, structure, direction and a continued and expanded federal role in education. The present administration offers little more than smoke, mirrors and less money. Delaware, this nation and our children deserve better.

Thank you.

Senator **Durenberger**. Our second witness this morning is Andrew Mott, who is vice president for the Center for Community Change and who is here presenting the Coalition on Block Grants and Human Needs.

Before you begin, let me indicate that, to the best of my knowledge, the committee does not have a list of the organizations which belong to the coalition that you represent. The list was not attached to your statement. If you have a list handy, I would appreciate your submitting it to us.[1]

Mr. **Mott**. I don't have it with me, but I will be glad to submit it to your staff.

Senator **Durenberger**. Great. Your statement, which I read in full last night, will be made a part of the record. You may summarize it. You have 10 minutes or so to do that.

TESTIMONY OF ANDREW H. MOTT, VICE PRESIDENT, CENTER FOR COMMUNITY CHANGE

Mr. **Mott**. Thank you, Mr. Chairman.

I am here today representing the Coalition on Block Grants and Human Needs, which is an alliance of more than 100 national church organizations, civil rights organizations and various groups that represent the poor, minorities, the handicapped, and other vulnerable groups.

The coalition was formed last year when the initial block grant debate started, as a precursor to the current New Federalism debate and the debate over the fiscal year 1983 block grants. We see them all as part and parcel of the same process along the lines of what President Reagan said last year when he talked before NACo and described the block grants as not only an interim step toward an eventual withdrawal of Federal support for various human needs programs, but as a step toward turning over to the States of some part of the Federal tax base.

We are delighted that this committee is holding these hearings and that it is looking seriously into the issue of New Federalism, and that you have given us the opportunity to testify.

We hope that this is the beginning of a far more thorough examination by this committee and by other committees of both the House and the Senate of the very important issues which have been raised by the President's proposals.

We view these proposals as of extraordinary importance not only for their implications for goverment at the State, local, and national levels, but also, in particular, because of their important consequences for people, especially for the poor, the handicapped, minorities and others who have, for a long time, been the beneficiaries of many of the programs which are now to be block granted or to be placed in the New Federalism.

Our first commitment as a coalition is to advancing a thorough, careful, deliberative debate, case by case, of the wisdom of decentralizing the various programs which have been proposed for decentralization.

---

[1] See p. 429.

We do not oppose decentralization. We do not oppose block grants as such, but we have been strongly opposed to the administration proposal, both last year and this year. We feel that it is essential that this committee and other committees of the Senate and the House look at each program which is to be incorporated into these New Federalism proposals; to reexamine whether these programs and their original purposes are still valid; to reexamine what level of government is most appropriate to operate those programs; whether there is a need for Federal resources for those programs; what, if any, Federal standards there ought to be in the future; what role there ought to be for State legislatures or city councils, and what role there ought to be for citizens in policy determination at the local and State levels.

Because of our commitment to that deliberative debate, last year we prepared a thorough briefing session for members of the staffs of the House and Senate and put together a panel which involved former Senator Brooke, former Assistant Secretary Floyd Hyde, who was the developer of the community development block grant programs under President Nixon and who designed an initial proposal which did not pass at that point for housing block grants, as well as civil rights and other leaders.

Because of our commitment to that thorough debate, we strongly opposed, last year, attaching the block grants to the reconciliation process. We felt that that bypassed the normal legislative process and all the authorizing committees which should be involved in these considerations.

In the words of Republican Congressman DeNardis of Connecticut in his statement before the Brookings Institute last October, "We view that as a textbook example of how not to proceed toward a remarkable sorting-out of government functions."

Because of our commitment to that debate, we would oppose attaching the current fiscal year 1983 block grant proposals and New Federalism proposals to the debt ceiling bill or any other effort to fast track it and bypass the need for deliberative debate by the Congress.

We have four other basic concerns. The first, which I will deal with only very briefly, is with the need for adequate Federal resources for human needs programs. We feel that the issues Mr. Herndon of the NEA has raised on education apply equally to many of the other programs which were block granted last year or which are threatened by block grants this year and by the New Federalism over the long term.

As we view it, the administration is trying to get the Congress to acquiesce in a process of virtually total abandonment of Federal responsibility for dealing with fundamental problems—unemployment, poverty, inadequate education, inadequate services.

It is very important to look at each of these proposals in the context of the basic constant overriding goal of the administration, which is that withdrawal.

I would like to comment on the three proposals that have been placed before us by the administration: The swap, the turnback, and the fiscal year 1983 block grants.

We see them not as separate, but all as part of the same thing, and interrelated to the whole budget-cutting process.

We view it as artificial to separate out the budget issues from the block grants and the New Federalism. We see them all as part of the same continuum.

The swap, the trade of the AFDC, medicaid, and food stamp programs, would have dire consequences for the States, and particularly for the individuals within those States.

First, there would be massive cuts this year; 28 percent in medicaid, 29 percent in AFDC, and 16 percent in food stamps, and then a shift to the States of an enormous burden which has been described before you by Alice Rivlin and by other people.

The States would face an excruciating choice, which I heard posed in Michigan last week: "Shall we support education or shall we support welfare?"

We are strongly opposed to the swap, and believe that it is a Federal responsibility to support all three of these crucial programs.

With regard to the turnback, the turnback envisages enormous cuts in fiscal year 1983, including in some of the interim block grants—a 25-percent cut in energy assistance, 18 percent in social services, 10 percent in education, all of these programs which were block granted just last year saying that a 25-percent cut was OK because the administrative savings would be adequate.

First there would be those cuts. Then there would be a freeze which would last all the way until 1991. Then there would be nothing in terms of Federal resources. There would obviously be some State access to tax source.

We view it as essential not only to look at the question of the cut this year and at the dangers of a freeze between 1983 and 1991, but also at the dangers of getting locked into a trust fund which does not go up with inflation.

During the period from 1984 to 1991, the cost of these programs would at least double. That has got to be taken into account in any kind of trading off and sorting out that happens.

The total losses to the States have been estimated at $15 to $17 billion by various sources.

The AFSCME projections, which were $17 billion, very close to the CBO estimate, estimate that Minnesota would lose $281 million in 1984 before the trust fund began and began to phase out. That would require, in Minnesota, an increase in taxes of 6.26 percent above and beyond dealing with the State's immediate fiscal crisis. The big question is: If the swap and turnback go through, how many States will, in fact, increase taxes, even if those tax sources were turned over to them? I was in Missouri 2 weeks ago. There is a constitutional amendment which essentially bars them from taking advantage of any tax base turned over to the State without a change in the constitution. How many States have that problem or similar problems which mean it will never happen?

The second major issue we care about, and we think must be dealt with in this whole debate, and which we feel has been largely neglected throughout the whole discussion over the last year, is the need to target whatever money does go to the States or local governments or, in fact, is administered at the Federal level.

There has been a great deal of rhetorical commitment to the truly needy, and yet the administration and the Congress have consistently been decreasing targeting over the last year. If you look at the administration proposals last year on low-income energy assistance, it dropped to low income. On social services block grants, they tried to bind targeting to low income. On title I, there was an attempt to pull way back in terms of that kind of targeting. In the words of President Nixon's Assistant Secretary of HUD, who designed the community development block grant program, "These were not block grants at all, they were simply money on the stump," a Mr. Floyd Hyde said in briefing the House and Senate staff people last May.

We are very disturbed that there has been very little attention to the whole targeting issue with regard to whatever programs are either decentralized or remain at the central level.

Third, there are a number of essential safeguards which have been built up over many years: Civil rights is obviously the most important example, but there are many others: Citizen participation; the rights of the handicapped; homeless children, and so on. These cannot be bypassed. They are an absolutely essential part of the whole debate, about what should be handled through New Federalism.

Fourth is the basic issue of accountability. I refer you to my prepared remarks, and to the thoughtful ideas which were in the black book prepared by Mr. Stockman about what has to be done about basic accountability. I submit that none of the block grants or New Federalism proposals in any way address any of the six points which Mr. Stockman discussed, all of which are worth very serious consideration, and that, in fact, the new block grants and New Federalism should be seen as yet another Trojan Horse.

In conclusion, I would like to point out that we think that there is a need for enormous Federal resources to continue; that there is a very important need for targeting and for protections to remain.

If I may take one more moment of your time, I think that the most important thing, in many ways, is getting this debate out of the abstract and philosophical level and down to the level of reality. I happen, personally, to have worked with many organizations, which have worked together on evaluating the various block grants which have been in effect for 20 years. We have reports which have been submitted to the Congress, some of which have been seen by your staff, on various block grant programs. We will be glad to submit them to the committee.[1] We also have 6 months of experience with a whole series of new block grants.

I, and others, people from our coalition, have a lot of people out around the country who have been telling us what has been going on with these block grants. We think the most essential thing is for this and other committees, the authorizing committees, to look very seriously at what, in fact, has happened before we go farther down the same road. Have States really reallocated State funds to pick up the things which have to be dropped because of Federal cuts? Have States dropped matching funds? Indiana, immediately, as soon as they got the chance, dropped the matching for title XX. What is the likelihood that States will use State funds to continue to meet these needs? Have any State agencies or State legislatures anywhere in the 50 States established targeting requirements?

---

[1] The reports referred to may be found in the committee files.

I suggest that this committee ask for copies of the enabling legislation from the 50 States. Take a look at what is happening with targeting and even basic requirements that there be any assessment of needs.

Have these State legislatures had any role in setting policies at all? Has there been debate in the block grants in the State legislatures? Eighteen of them will not be in session during the first year of implementation. Have State legislatures or agencies set up procedures for oversight? What kind of reporting, auditing and evaluation procedures are being set up? I don't mean to sound bureaucratic about it, but we have found in past evaluations that the most crucial thing is the ability to trace where the money is.

On civil rights, what has been done at the State level? What has been done with regard to the kinds of safeguards which were in the various programs which were incorporated into the block grants? What has been done to assure that programs which were previouly funded federally are not cut off by mistake or without due process?

The coalition is just beginning to explore these issues. We expect to have some preliminary answers on many of them over the next couple of months. We will be delighted to submit them to the Congress and this committee as they become available. We urge you to look very seriously and to use your own tremendous resources and abilities to conduct the same kind of evaluations quickly; get some basic information, before proceeding; not a 3-year evaluation, but just answers to very basic questions.

Thank you, Mr. Chairman.

Senator DURENBERGER. Thank you very much for your presentation.

I would like to make just a personal observation about your continuum argument regarding the interrelationships between budget cuts, swaps, turnbacks, and the trust fund. This only comes from our Senator's personal experience. I guess I have been more involved than other people have been. You can take my experience for what it is worth. It may be a little more realistic than others. Last October the Senate Finance Committee, through which the bulk of blocks went, took several programs like title XX, which was blocked 10 years ago, and rhetorically inserted them into blocking and cutting to save money against several committee members. I came to the decision that we weren't going to do any more of that sort of thing until we addressed some of the problems which exist in the current Federal system—the problems as perceived by the recipients of the programs, by people at the various levels of government and by the so-called taxpayer, however you define that person.

It was not the plan of this administration to put the blocks, the cuts and the New Federalism all in one package. Federalism got forced on them by people like Durenberger, Snelling, Hudnut and a few of those kinds of people. The Governors are sitting down there with the State legislatures and were just going crazy trying to cut spending and increase taxes. They were unable to find better and different ways of meeting the needs of the people. They have had a relatively short period of time in which to come up with a proposal.

I took only 2 days to react to that proposal with what I thought was a better one. Yet I am not saying that mine is the answer. The purpose of these hearings is to do what you would like to do. That is, to start a process of either defining or redefining the appropriate relationships between those of us who are in the business of recognizing, defining, financing, and delivering public services to the people in this country who need them.

I appreciate your critique of the administration proposals. I would just suggest to you that, as far as this committee and a lot of us in Congress are concerned, we should move as quickly as possible from the critique of the continuum to some kind of a more positive, "I see what you folks are trying to do. Here is a better way to do it." It sounds like you have that capacity. You talked about—and I know your organization talked about—your 20 years of experience in watching some of these programs work. You have had 6 months, now, to look at the implementation of the block grants. We held hearings late last fall on the implementation of block grants. I have some draft language to improve the administration of those block grants. I would appreciate getting any suggestions you may have on how to do them better.

More importantly, let us discuss the issue of the design of a New Federalism. We will start with one of your first premises, which is on page 4 of your written statement. You said:

> Funding for basic entitlement programs should be increased substantially, not cut. The sorry fact is that these programs have not kept pace with inflation over the past decade.

I wonder if you could be more specific about which programs you were referring to in that statement. It seems to be that food stamp benefits are indexed to inflation. Medicaid benefits, of course, have increased—at least in dollar terms—much more rapidly than inflation. I know AFDC, on the other hand, is headed downward in real terms. We haven't done them any good with last year's income disregard proposal or this year's proposals which aren't going anywhere.

Specifically, which programs were you referring to when you made that statement?

Mr. MOTT. we are very concerned about the administration's proposal about AFDC and medicaid and food stamp cuts this year in the 1983 budget. That is specifically what I was referring to.

Senator DURENBERGER. You recognize the fact that within the income assistance part of income security—however we define it—not all programs have been going down. There is the distinction I mentioned between AFDC, food stamps and some of these other programs.

Mr. MOTT. That is right. One of our great concerns about the whole discussion of the swap is what does this hold for the future in terms of the ability of States or local government to sustain increases in their programs to keep up with inflation? Does this mean that if two of these programs are turned over exclusively to the States, that they will stay absolutely constant rather than rising, or, in fact, that they will be decreased?

Senator DURENBERGER. I hear that as a clear message from you that rather than trying to sort out or divide income security or income assistance, as the administration's swap appears to do, we ought to make it a national commitment by federalizing it?

Mr. MOTT. Absolutely.

Senator DURENBERGER. Is that your position?

Mr. MOTT. Absolutely.

Senator DURENBERGER. Have you had the time to look at some of the other areas? Have you gone beyond the 189 categoricals which got blocked down to 121 and are now on their way to being blocked down to 42 so that they are now involved in the turnback? Have you had a chance to look at Federal involvement in programs which might be better suited to a turnback than some of the programs which are on that list?

Mr. MOTT. We have not been able to do that, Senator.

Senator DURENBERGER. Would you be willing to take a look at that?

Mr. MOTT. We have not discussed that within the coalition. Different organizations may be interested in that, and we can certainly discuss that.

Senator DURENBERGER. OK. I want to take this opportunity to encourage you to look at the problems which all of us face. That is, the money has to come from somewhere. We are now $1 trillion in debt and $100 billion more this year. I suppose we could make up that deficit by increasing taxes. Would that be a position you would favor?

Mr. MOTT. Personal views on that are not relevant to my particular testimony today. I think that the important thing is to—let me make one personal reflection that may be relevant. I was in Michigan last week. I happen to be from Michigan originally. I was in Flint and Detroit. I also drove on the highways between Flint and Detroit. I was talking with people who have been very much involved with block grant issues in Michigan, the Coalition on Fair Implementation of Block Grants, which has very heavy involvement with civic organizations in the State.

I happened to be there at the time the Governor was announcing another $450 million in State budget cuts and tax increases. So I have seen what you are talking about very clearly and very recently.

But I can tell you right now that the debate already is education versus welfare at that level. It is a cinch that it is also going to be highways or education or welfare or health centers or whatever programs and that the more that that debate can continue to be carried on at the national level, rather than left to a State, which at this point is helpless in large part to deal with it, the better, I think, for the people who these programs are designed to serve, and to whom, I know, you have a great historic commitment.

In a State like that, which is now preoccupied with those kinds of programs, what has happened with the block grants? There is no enabling legislation. There is no targeting; the State plan for education is essentially a page long listing of the eligible activities in the block grant last year. The social services program is basically the same; the State legislators don't know what is happening at all. They don't have time to focus on it. It is an extraordinary situation.

Senator DURENBERGER. Let me end, then, by just saying that the work you have gathered over 6 months concerning the implementation of block grants and the work we have done through the hearing should be matched up at some point. We should do this before we do any further consideration of blocking. Maybe there are improvements we can make this year in the existing blocks which would do something.

Mr. Mott. We would be delighted to work with you on that. Also, I will take you up on your earlier offer on language which may be useful.

Senator Durenberger. Thank you very much.

Mr. Mott. Thank you.

[Mr. Mott's prepared statement and list of organizations that participate in the Coalition on Block Grants and Human Needs follow:]

TESTIMONY OF ANDREW H. MOTT
REPRESENTING THE COALITION ON BLOCK GRANTS AND HUMAN NEEDS
BEFORE THE SENATE GOVERNMENT AFFAIRS COMMITTEE
MARCH 18, 1982

Good morning. My name is Andrew Mott. I am Vice President of the Center for Community Change. I am here today representing the Coalition on Block Grants and Human Needs. On behalf of the Coalition, I would like to thank you for giving us the opportunity to appear before you today and to participate in this extraordinarily important debate.

The Coalition on Block Grants and Human Needs is an alliance of more than 100 national organizations which are deeply concerned about the devastating implications of the Administration's "new federalism" proposals for the truly needy in America. Our member groups include many of the national church denominations, civil rights organizations, and groups representing poor and working people, disabled Americans, the elderly, children, and other vulnerable groups.

The Coalition was formed early last year when it became clear that the Administration's block grant proposals were designed to reduce and finally eliminate federal support for dozens of programs which are crucial to the well-being of millions of Americans. Since that time we have focussed on the new block grant proposals, the basic entitlement programs, and the most recent "new federalism" proposals.

The members of the Coalition are united by common commitment to four central principles in relation to the Administration's initiatives in these areas —

- the need for adequate federal funding for human needs and income maintenance programs;
- the need for federal standards to ensure that such funds are targeted to those people who have the greatest needs;
- the need to ensure that there is federal enforcement of civil rights laws and other crucial protections which have resulted from decades of struggle to improve the lives of Americans with special needs; and
- the need for federal standards to ensure that local, state, and federal agencies follow open, democratic decision-making processes and are held to basic standards of public accountability, including requirements that there be adequate records, auditing, and oversight.

In my testimony this morning I would first like to address the Administration's proposals in light of these four basic principles. I then will address the need for holding thorough oversight hearings on the block grants which were enacted in 1981 and earlier years before the Congress proceeds further with "new federalism".

Adequate Funding for Human Needs Programs

Much of the debate about "new federalism" has missed the central point. The "new federalism" proposals are not simply a move toward a "sorting out" of roles and a decentralization of those federal programs which can be administered better by the states. If the issue for the Administration really were such a rational "sorting out", the Administration would not propose a turning over of virtually all domestic programs to the states without federal standards and, in time, without federal resources. It would instead:

- seriously examine what programs must continue to be administered nationally because they relate to national needs;
- continue federal support, standards, and oversight for those programs which require such involvement;
- set forth a role for local governments in operating those programs which they can administer better than other levels of government; and
- set forth substantial guarantees that private citizens, civic organizations, and others will have an opportunity to be informed about and involved in the process of assessing needs and priorities for the use of funds and the performance of the agencies responsible for administering the programs.

The Administration proposals are curiously silent on these issues, focusing exclusively on a wholesale shift of responsibility and temporary resources from one level of government to another.

The new federalism proposals are, clearly, as the President has stated, interim steps toward the withdrawal of all federal support for over 100 programs. The issue is not block grants at all — it is instead terminal grants.

As the Administration keeps changing its proposals, constantly proposing new combinations of programs and features, it is essential that this Committee and the Congress not lose sight of the fact that the Administration's constant, overriding goal is to find a way out -- to find a way to gain Congressional acquiescence in the abandonment of much of the national government's responsibility for dealing with the national problems of unemployment, poverty, inadequate education, and inadequate services. If the Administration were to achieve this goal, it would have devastating consequences for the American people and for the state governments which would assume new responsibilities.

The "swap" proposal would be especially devastating in its consequences for the poor. To cut Food Stamps, AFDC, and Medicaid drastically in FY 83 -- further deepening the gap between rich and poor families in America -- and then to turn Food Stamps and AFDC to the states would be unconscionable.

Funding for the basic entitlement programs should be increased substantially, not cut. The sorry fact is that these programs have not kept pace with inflation during the past decade. These proposed cuts, on top of the ones enacted last year, would not reduce waste -- but they would deny food to hungry children, medical care for sick old people, and other critical services no decent society should deny the poor, low income workers and the unemployed.

Leaving AFDC and food stamps to the states would leave it to the states alone to find a solution to poverty and place all blame for failure on the doorsteps of the Governors. The President is proposing a shifting to states of full fiscal and social responsibility for domestic problems although the causes and cures for many of them, such as poverty, are beyond individual state control. States would become the sole underwriters of the cost of income maintenance programs and would most likely be left without any federal assistance for human service programs designed to help people out of poverty, such as employment and training programs.

The proposed savings from the "swap" of medicaid for AFDC and food stamps are illusory. The cost to the federal government and the savings to the states cannot be known until the new federal medical assistance program is delineated -- what individuals and families would the federal government accept responsibility for? what services would the federal plan provide? would states with more generous programs be forced to supplement rather than allow reductions in benefits, as they were in the Supplemental Security Income Program? In addition, while the federal government could decide what its level of effort should be in medical assistance, states could not reduce AFDC and food stamp costs without cutting progams below current levels and could not control economic problems that would cause caseload increases.

The "turnback" proposal would also lead to a drastic reduction in the adequacy of federal support for human needs programs.

The currently proposed block grants would impose a new round of deep budget cuts on states. The proposals would reduce federal funding for energy assistance, vocational and adult education, education of the handicapped, employment and training, rehabilitation services, child welfare, rental rehabilitation, child nutrition and welfare administrative costs from the FY 82 funding level of $9.2 billion to $7.6 billion for fiscal 1983, a cut of almost 20% from current costs.

The proposed turnback trust fund would be inadequately funded from FY 84 to FY 91. The base upon which the interim federal support would be calculated would be well below FY 82 spending levels, incorporating massive cuts in many essential programs. Furthermore, there would be no allowance for inflation in the cost of operating such programs for the seven years in which the transition took place, a period in which such costs are likely to double.

The proposed turnback trust fund would create enormous fiscal disparities among the states. According to the Northeast Midwest Congressional Coalition, states in the Northeast and Midwest would be responsible for approximately 49%, or $14 billion, of the turnback programs, but would receive only 35%, or $4 billion, of the 'freed-up' $11.3 billion in federal excise taxes. Such difficulties are not restricted to the Frostbelt. The Colorado Budget Bureau projects net losses to the state from assumption of the turnback programs beginning in FY 1984, whether or not the state replaces the declining excise taxes.

Continued federal budget cuts in human needs programs either through programmatic changes or through block grants would leave gaping holes that Governors could not ignore and could not fill. Gaps in such vital services as day care, community development, community mental health, vocational rehabilitation, and energy assistance would widen at the same time as needs increase due to growing population, inflation and increased unemployment. It would be virtually impossible for states to meet these needs with state resources alone. While

> state revenues are decreasing, and in many states will decrease even more as the new federal income tax reductions take effect, demands due to physical deterioration of the nation's physical infrastructure -- roads, bridges, water systems -- are increasing. The cost of rehabilitation in such areas during the next decade will run into hundreds of billions of dollars, decreasing the states' ability to meet the human needs addressed by the programs which the "turnback" would repeal.

Without adequate federal support, state governments would increasingly be subjected to a Hobson's choice -- cut services or raise taxes. **It would be particularly dangerous to allow this situation to place in jeopardy the very programs which Congress established after years of documented neglect at the state level**, which would be repealed by the Reagan proposals. These include programs for: migrant farmworkers, whose lack of access to adequate services and fair treatment is notorious; black lung victims, whose needs were neglected until they marched by the thousands; homeless children, citizens who could not afford adequate legal services, linguistic and racial minorities, and inner city families and isolated rural people whose lack of political clout condemned them to inadequate services until the federal government responded to their needs.

Federal Targeting Standards

The issues of adequate resources and fiscal disparity are vital, but they are not the only crucial issues which deserve serious attention by this Committee. We have found it troubling that so little attention has been devoted to these other issues, and that so much of the debate has been devoted exclusively to the resource question as if it were the only question involved.

In particular, **the issue of targeting government resources to meet the nation's most pressing needs must be addressed in any block grant or "new federalism" legislation.**

One of the ironies of the debate surrounding the "new federalism" proposal has been the contradiction between the budget discussion, with its talk of the "social safety net" and helping the "truly needy," and the removal of all targeting and need-related requirements in human service programs by the "new federalism" proposals. The Administration wants to replace a variety of programs focused on disadvantaged constituencies with general grants of money that include no requirements that services be provided on the basis of economic need, handicap, or other special need.

In last year's block grants, for example, the social services block grant completely removed the income eligibility criteria associated with the original Title XX program. The Administration wanted to remove targeting requirements from the proposed energy/emergency assistance block grant, but Congress reinstated targeting in the final low income energy assistance program. The Administration's proposed education and health block grants -- which included programs specifically enacted to assist disadvantaged and handicapped children -- had no targeting requirements, no eligibility criteria based on need and no priorities for whom would be served. While Congress refused to abolish many of the most crucial targeted categorical programs that the Administration wanted to consolidate into block grants, the block grants that did emerge substantially weakened targeting requirements.

One does not need to be cynical to predict that the process by which states allocate block grant funds will respond to the priorities of constituencies that are predominantly middle class or affluent, organized and vocal — and whose members vote -- unless there are federal targeting standards. Without such targeting, the less powerful and less numerous individuals who have pressing but not politically popular needs are likely to lose out in statewide competition for reduced resources. Thus, unless there are federal standards, the "new federalism" threatens to turn the allocation of federal tax dollars into a brutal political struggle at the state level, where the most vulnerable and least powerful are almost certain to be the losers.

Besides pitting the poor against middle class and affluent constituencies, unrestricted "new federalism" also sets one disadvantaged group against another in competition over a small pie. Rural areas will fight inner cities, the elderly will fight mothers and children, and emergency medical services will compete with preventive health services.

Federal Civil Rights Standards and Other Safeguards

Recent accomplishments in preventing discrimination, and the resulting gains in securing equal opportunity, are also seriously imperiled by

the "new federalism". The Reagan proposals would commit to the ultimate discretion of states the provision of programs and services that Congress had devised to meet specific needs of victims of discrimination, deprivation or neglect. They would include no effective safeguards to ensure against further discrimination or neglect.

Even when civil rights issues are viewed in the narrow context of a need to prevent discrimination in the use of funds, however they are allocated, both the Administration's proposals and the final block grants are woefully deficient. They simply apply boilerplate civil rights language, without any consideration of the particular enforcement mechanisms needed when funds are distributed through block grants.

Much of the rhetoric about safeguards and accountability offered by the Administration during the block grant debate was an echo of statements made by a previous administration when the State and Local Fiscal Assistance Act of 1972, which established General Revenue Sharing, was first proposed. The Reagan Administration seems to have forgotten — or hoped others had forgotten — that actual experience with revenue sharing and block grants discredited many of the original assertions that there would be no problem of compliance with civil rights and other essential safeguards.

Accountability and Open, Democratic Decision-Making

Another irony in the block grant and "new federalism" proposals is that **they increase the control of bureaucracies over government programs, rather than decrease that control.** They represent a massive retreat from the reforms of the last two decades which have opened up government to public scrutiny and involvement.

In opening the debate on block grants early in 1981 in the "Black Book", Mr. Stockman gave an excellent presentation of the basic accountability issues which we believe must be addressed with great seriousness.

> "Any block grant proposal is inevitably caught in a dilemma: the goal of providing maximum flexibility and minimal restrictions to the recipient (state or locality) in the uses of the federal funds conflicts with the goal of ensuring that federal funds are effectively used for the attainment of national objectives and for the provision of additional...services to federally-defined populations.
>
> "The question, then, is what to require of the (state or local agencies) that receive these block grants. To specify the precise purposes and activities for which they will use the funds? To propose criteria by which to measure progress? To evaluate themselves or submit to external evaluation of their performance? To subject their plans and performance to scrutiny by a higher level of government (or by some kind of community review group)? To allow aggrieved persons who feel that the federal purposes are not being fulfilled, or that their needs are not being met, to appeal to Washington? Ultimately, to be denied future block grant funds (or to have the amounts reduced) because of unwillingness or inability to use the funds in ways envisioned in the federal authorizing statute?"

Despite this clear, balanced presentation of accountability issues in the "Black Book," the Administration's proposals have ignored accountability issues and proposed the giving of virtually unfettered discretion to state governments.

The Reagan Administration's approach to New Federalism provides no assurance that states will administer the programs in an open, accountable manner.

- It does not require the involvement of state legislatures in assessing needs, setting priorities or evaluating performance.
- It does not provide assurance that citizens will have access to the information they need to monitor and assess the state's plans or performance.
- It does not provide for any evaluation of performance by local citizens or the federal government, or, in most cases, even the state government itself.

The Administration's approach to block grants would require brief, nonspecific reports at the beginning and end of each year, making it virtually impossible for citizens, local governments or state legislative committees to track block grant funds. The new block grants are subject to the most serious problems that have plagued past block grant and revenue sharing programs -- **the virtual impossibility of tracing how the funds have been spent, whether they have been spent legally, and what their impact has been.**

The importance of adequate reporting as the most fundamental requirement of fiscal and program accountability has been underscored in several recent reports from the General Accounting Office and by the Inspectors General of various federal departments, among others. A March 9 story in the New York **Times** highlighted the need for standard auditing requirements, pointing out that many state issues are now urging that there be clear, standardized, predictable auditing requirements.

The "decision memo" on the social services block grant which HHS staff prepared for Secretary Richard Schweicker discussed this issue in enlightening terms:

> "One consideration in choosing whether to require anything beyond minimal Federal post-expenditure oversight is that in many states it is impossible to determine from publicly available documents which sources of funds are planned for what services, and hence for normal political involvement to influence state priorities.
>
> "Furthermore, without such detail available to HHS, there would be no basis for describing or assessing current and near-term state priorities in testifying to the Congress, considering legislative chnages and the like.
>
> "The specific argument for requiring a state plan that is to be approved by the Secretary of HHS is that it provides a basis for assuring that states plan to achieve key requirements, and/or to correct previously identified deficiencies, such as failure to prevent waste or to target sufficient funds to preventive services."

Despite the clear analysis in this memo, HHS -- after extensive consultation with OMB -- chose not to propose measures which would adequately ensure that state governments would be accountable to their citizens, their legislatures or the federal government for their expenditure of block grant funds. Under OMB pressure, HUD and the Department of Education made similar decisions, and the Administration now proposes to drop most reporting, auditing, and oversight requirements for the Energy Assistance Program. In pursuing "new federalism", the Administration has consistently failed to provide procedures and safeguards which follow any of the six routes to accountability suggested by Mr. Stockman in the "Black Book":

- To specify the precise purposes and activities for block grant funds;
- To propose criteria for measuring progress;
- To evaluate performance;
- To subject plans and performance to scrutiny by a higher level of government or community review groups;
- To allow aggrieved persons to appeal to Washington;
- To deny or reduce funds because of unwillingness or inability to comply with the statute.

The Need to Base Policy Upon Careful Deliberations and an Evaluation of Actual Experience

Another central concern for us has been with the need for a thorough, thoughtful, deliberative discussion of the Administration's proposals, and alternatives. These proposals are of immense importance. They deserve the most careful consideration before being accepted, modified, or rejected.

Last year we strongly opposed the use of the "reconciliation" process to enact the drastic and devasting changes contained in the Administration's block grant proposals. We felt that hasty and superficial consideration of these exceedingly controversial proposals undermined the legislative process and violated the principles of sound policy development. It left authorizing committees without adequate opportunity to participate in decisions on programs which were within their jurisdiction and areas of expertise, and it gave the full House and Senate virtually no opportunity to debate the merits of these historic shifts in public policy.

We continue to oppose the use of the "reconciliation" process for these purposes. We will be equally opposed to any attempts to attach such significant legislation to the debt ceiling bill or other efforts to bypass the need for careful and thorough consideration of the merits and consequences of these controversial proposals.

Instead we call upon the Congress to conduct a detailed review of the nation's experience with the block grant and revenue-sharing programs which preceded these new proposals, so that the lessons of that experience can be taken into account as new decentralization moves are considered. GAO, member groups of the Coalition on Block Grants and Human Needs, and others have conducted evaluations of several of these predecessor programs, and have raised serious concerns about how they have operated in practice. It is essential that these and other evaluations of actual performance -- not just theory and philosophy -- be taken into account so that the nation can base its policy upon the firm ground of past experience and careful deliberation.

We also call upon the Congress to conduct oversight hearings into the implementation of the block grants which were enacted last year before proceeding farther down the same course. We urge you and other committees of the Senate and the House to obtain answers to a number of central questions before proceeding with a debate which has so far been far too abstract and removed from an examination of actual performance.

In particular, we urge the Congress to obtain answers to the following questions about the block grants enacted in 1981:

- Have the states reallocated state funds or raised taxes to make up for the federal cuts included in last year's block grants? Have they continued to use state funds for such purposes now that federal matching requirements have been dropped? What does this indicate about the future likelihood that states will raise taxes if there is a "turnback"?
- Have state agencies or legislatures established criteria for targeting block grant funds to the truly needy or others with special needs?
- Have state agencies or legislatures established processes for assessing needs, setting priorities, and allocating funds accordingly?

- Have state legislatures had any role at all in setting policies for the expenditure of block grant funds?

- Have state legislatures established procedures for conducting oversight into the policies which state agencies have adopted in spending block grant funds?

- What reporting, auditing, and evaluating procedures — if any — have been established at the state level?

- Have state governments followed policies which allow citizens to be informed about and to have input into decisions on block grant policies? Have there been hearings at which the public could discuss community needs and state priorities? Has there been adequate notice? Do citizens have access to key documents under freedom of information policies? Are there procedures for considering citizen complaints?

- What measures have been taken to ensure compliance with civil rights laws?

- What measures have been taken to ensure careful consideration by the state of whether to continue safeguards which had been included in the repealed federal statutes to protect such vulnerable groups as the low income people who previously were the exclusive focus of Title XX?

- Have the states established procedures to ensure that programs which have been funded by the federal government are not cut off inadvertently or without due process?

The Coalition is just beginning to explore these issues in a number of states. We plan to have preliminary data on several of these questions by May 1, and will be delighted to make our findings available to this

Committee as soon as they are available. We strongly urge that the Congress move quickly to establish its own sources of information so that the implications of the states' actual performance can be taken into account in considering the "new federalism" proposals.

To summarize, the Coalition on Block Grants and Human Needs is strongly opposed to the "swap", the "turnback", and the block grants which have been proposed for FY 83.

We are not opposed to all block grants or decentralization moves. But **we oppose a process for decentralizing such programs without thoughtful, case-by-case consideration of each program and whether it should be operated by the federal, state, or local government, or by the voluntary sector, and whether continuing federal resources, standards, and oversight are useful.**

We reject the idea that the Federal government has no role or responsibility for helping meet domestic needs. Indeed, many problems such as unemployment, poverty and discrimination are the direct result of inadequate national policies.

We do not believe that the Federal government should abandon the poor or place the full burden on states and communities for investing in the future with programs for job training, education, housing, decent health care and other needs. But that is the program that has been advanced. If it passes, it will mark a retreat from the nation's commitment to justice, decency and opportunity. It will also shift enormous new tax burdens to states and communities.

center for community change

BOARD OF DIRECTORS
David Ramage, Jr.
Chairman
Rebecca Andrade
Vice Chairman
Burke Marshall
Chairman/
Executive Committee
Michael Ansara
Charles Bannerman
Harriet Barlow
Julian Bond
Richard Boone
Abram Chayes
Gale Cincotta
Mike Clark
Cleveland Dennard
Andrew Ebona
Peter B. Edelman
Douglas A. Fraser
Peter Goldmark, Jr.
Irma Gonzales
Ronald Grzywinski
Robert Larson
David Lizarraga
Margaret McNeill
Channing Phillips
Hugh B. Price
Edwin F. Shelley
Neil V. Sullivan
William Velasquez
Lucius Walker, Jr.
Barbara Williams
Robert Woodson
Raul Yzaguirre

OFFICERS
Pablo Eisenberg
President
Arthur Brazier
Vice President
Andrew Mott
Vice President
Leonard Lesser
Secretary/
General Counsel

March 23, 1982

Senator David F. Durenberger
U.S. Senate
353 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Durenberger:

Enclosed, at your request, is a list of the organizations that participate in the Coalition on Block Grants and Human Needs.

On behalf of the Coalition, I would like to thank you for providing the opportunity to present our views on the President's block grant and federalism proposals to the Senate Committee on Governmental Affairs last Thursday, March 18. We look forward to continued cooperation with you and your staff.

Sincerely,

Andrew H. Mott
Vice President

Enclosure

AHM/ysg

1000 WISCONSIN AVENUE, N.W., WASHINGTON, D. C. 20007 • 202/338-6310

Alpha Kappa Alpha Sorority, Inc.

American Association of Homes for the Aging

American Association of Retired Persons

American Association of University Women

American Association of Workers for the Blind

American Baptist Churches of the United States

American Council of the Blind

American Federation for the Blind

American Federation of State, County, & Municipal Employees

American Federation of Teachers

American Friends Service Committee

American Health Planning Association

American Nurses Association

American Public Health Association

Americans for Democratic Action

Arthritis Foundation

Aspira of America, Inc.

Association of Community Organizations for Reform Now (ACORN)

Association for Retarded Citizens

Bread for the World

Center for Community Change

Center on Social Welfare Policy and Law

Children's Defense Fund

Children's Foundation

Child Welfare League of America

Citizen Labor Energy Coalition

Civic Action Institute

Coalition of American Public Employees

Coalition of 100 Black Women

Committee for National Health Insurance

Common Cause

Communication Workers of America

Community Nutrition Institute

Congress of Neighborhood Women

Congress Watch

Congressional Black Caucus

Consumer Coalition for Health

Consumer Energy Council of America

Consumer Law Project

Council for Exceptional Children

D.C. Commission for Women

Deafpride, Inc.

Displaced Homemakers Network, Inc.

Episcopal Urban Caucus

Family Service Association of America

Federal Education Project of the Lawyer's Committee for Civil Rights Under Law

Food Research & Action Center

Friends Committee on National Legislation

Friends of VISTA

Gray Panthers

Housing Assistance Council

Information Center for Handicapped Individuals, Protection and Advocacy Systems

Interfaith Coalition on Energy

International Ladies Garment Workers Union

Leadership Conference on Civil Rights

League of Women Voters of the United States

Low Income Housing Coalition

Lutheran Council in the USA, Office for Governmental Affairs

Mental Health Law Project

National Alliance for Optional Parenthood

National Anti-Hunger Coalition

National Association of Community Based Organizations

National Association of Community Cooperatives

National Association of Community Health Centers

National Association of Farmworkers Organizations
National Association of Neighborhoods
National Association of Social Workers
National Black Child Development Institute
National Center for Urban Ethnic Affairs
National Clients Council
National Committee for Citizens in Education
National Conference of Black Mayors, Inc.
National Conference of Catholic Charities
National Congress for Community Economic Development
National Congress of American Indians
National Congress of Neighborhood Women
National Consumer Law Center
National Council of Churches
National Council of Community Mental Health Centers
National Council of Jewish Women
National Council of La Raza
National Council of Senior Citizens
National Council of State Agencies for the Blind
National Education Association
National Employment Law Project
National Health Law Project
National Hispanic Housing Coalition
National Housing Law Project
National Low Income Housing Coalition
National Multiple Sclerosis Society
National Network of Runaway Youth & Youth Services
National Office of Jesuit Social Ministries
National Puerto Rican Forum
National Retired Teachers Association
National Rural Housing Coalition
National Society for Autistic Children
National Treasury Employees Union
National Urban Coalition
National Urban League
National Women's Health Network
National Women's Law Center
National Women's Political Caucus
National Youth Work Alliance
Neighborhood Coalition
New York State Assembly
Older Women's League
Parents Without Partners, Inc.
Planned Parenthood Federation of America
Population Resource Center
Project on Equal Education Rights, NOW Legal Defense & Education Fund
Project on Food Assistance & Poverty
Rural America
Rural American Women
Rural Coalition
SANE
Service Employees International Union
Southern Council of Low Income Elders
Southeast Women's Employment Coalition
The Budget Coalition
United Auto Workers
United Automobile Workers Union
U.S. Catholic Conference
United Cerebral Palsy Assoc., Inc.
United Church of Christ, Office of Church & Society
United Food & Commercial Workers, Intl. Union, AFL-CIO
United Methodist Church, Department of Human Welfare, Board of Church & Society
United Presbyterian Church, Washington Ofc.
Vietnam Veterans of America
Wider Opportunities for Women
Women's Equity Action League
Working Group on Community Development Reform
Young Women's Christian Association of the USA, National Board

Senator DURENBERGER. Our third witness today will be Jule Sugarman, who is president of the Human Services Information Center. Mr. Sugarman was previously the human resource administrator of New York City and with the U.S. Children's Bureau.

Your written statement, Mr. Sugarman, was available to committee members yesterday afternoon. It will be made part of the record in full. I would appreciate it if you would summarize it for us.

TESTIMONY OF JULE SUGARMAN, PRESIDENT AND MANAGING DIRECTOR, HUMAN SERVICES INFORMATION CENTER

Mr. SUGARMAN. Thank you very much, Mr. Chairman.

Let me note for the record that we have provided amended pages 4 and 5 to the committee staff. We have added that to the statement. I speak only for myself today, not for the vast numbers of people that the others have spoken for. But I think I have two perspectives that may be helpful to the committee: One, I have been an administrator of human service programs at the Federal, State, and local level. In fact, twice in my life, I have had to administer programs at the local level under Federal regulations that I wrote.

There is nothing more humbling than to have to do that. The problem is that it is a big country with a lot of differences in it, a lot of different circumstances, judgments, and values.

Parenthetically, I think that same problem exists at the State level. The differences exists between Minneapolis and St. Paul, but maybe not as much as among other cities in the other parts of the country. The second perspective is that I have been traveling around the country for the last 9 months.

I have probably spoken to 15,000 people, including a great many State legislators and a great many service providers about their views of what is happening. I have been doing this under the auspicies of more than 50 national organizations, which include the National Governors Association and the U.S. Conference of Mayors and the National Association of County Officials, but also include some of the advocacy organizations which you have heard from this morning. These are groups who don't agree with each other, but shared the belief the public should be informed.

I am basically a public administrator, so I try to look at the President's proposals in terms of their administrative considerations and whether they will, in fact, bring about the kinds of improvements in programs that the Nation truly desires.

I have three basic points I want to make: One is that there are some very real problems in the human services programs—my testimony elaborates on some of those—and those do need to be addressed and addressed very rapidly. I share the impatience of a lot of the country that we have, somehow, not come to resolve many of these difficult issues.

I do not think, however, that the structural issues is the determinative problem here. I think the most important problems are two kinds: One, substantively, what works?

What can we do in the way of a welfare program that will get people out of dependency? What can we do about drug addiction that will end drug addiction?

The other question is financing. I want to comment on the fact that I think this committee, probably more than any other committee, and the chairman himself, is part of this, having done some significant work already. I think the committee's sponsorship of S. 10, which is a bill to establish a Hoover Commission kind of organization, was a good beginning. I hope that either that bill or the specific one that I propose to you today will see the light of day in this Congress. I think your own work reflected in your letter of February 4 to the President suggesting alternatives to his proposals is a beginning.

I am particularly pleased that you have paid some attention to ACIR, which, in my judgment, has done more scholarly and serious work than anybody over the last 20 years. It seems to me that the administration borrowed what they wanted to borrow from ACIR, but promptly ignored all the prescriptions as to how to solve all the problems that ACIR had identified.

I basically, like some of your previous witnesses, concluded that the budgetary issue is a very driving issue in the administration's proposal. While I think that the President philosophically is, in fact, very much in favor of New Federalism, it is the budget that is pushing us. I think what the Federal Government is basically trying to do is to walk away from the problem and simply hand it over to the States with lesser money and say, "You take care of it now."

I don't think that Congress can responsibly accept that prescription. I think the fact that this committee is holding these kinds of hearings indicates that it won't accept that as a given.

I think some of the premises on which the administration plan is based are shaky and inaccurate.

For example, it is asserted that this is a plan to control fraud, waste, and abuse.

I would point out to you that most of the criticized programs are presently operated by State officials. Under some Federal regulations, it is true, but the basic day-to-day decisions are made by State or local officials, usually county.

Second, it is charged that there is no flexibility in the Federal program. You only have to look at the variety in programs in the income maintenance side and on the services side to see that, in fact, the programs are quite different from one another.

Over the last 5 year I have had the opportunity to see a lot of programs in operation. They simply are not identical from State to State or community to community.

I think the administration has mistakenly assumed that there is real fiscal capacity in all of the States to take care of this problem.

I think some of your own suggestions speak to that point. But again, harping back to ACIR and their analysis of representative tax capacity, what we find is that we have States with a capacity on a scale 100 to as low as 71, and as high as Alaska—because of the artificial prices there—but as high as 179, nearly 100 points higher.

It simply is not realistic to believe that those States in the lower income areas are going to be able to generate the funds they need.

It might say, however that our existing programs aren't very clean on this score, either. In fact, the way we currently distribute money in the States, it is the rich States that get the most money; the States such as New York and California, Massachusetts and New Jersey are getting, on the average, better than $3,000 per person, for every poor person, where States like Mississippi and Florida and Texas are getting on the order of $1,000 or $1,100 a person.

There is an issue there that has to be dealt with, but not in the way the administration proposes to deal with it.

Senator **DURENBERGER**. By getting, you mean Federal dollars?

Mr. **SUGERMAN**. This is Federal dollars for the 3 basic income maintenance programs plus 21 service programs. There is a special study that our organization did in some 24 States which collectively represent about 85 percent of all the population in the country.

My point, is, there is a gross distortion there. Most people think we are using Federal tax dollars to take care of the poorer States. In reality, we are taking care of the richer States because they have richer programs that we have been funding.

I think this issue becomes particularly critical when you look at the food stamps program and the AFDC program and the proposed trade off there. Because if you look at the very poor States, the 14 States with the highest percentage of poverty, they typically are geting over 35 percent in many cases, over 40 percent of their income maintenace money through the food stamps program.

By contrast, the richer States with lower concentrations of poverty are getting in the range of 15 to 20 percent of their income from food stamps.

What is going to happen if this swap takes place, is, of course, you are going to see an end to the food stamps program; you are going to see the poorer States end up with far less money available to the people in that State than was available before.

Senator **DURENBERGER**. Food stamps have been our fiscal equalizer.

Mr. **SUGARMAN**. Exactly, and it is the thing that saved the State legislatures from having to increase the AFDC benefits. Had they not had food stamps, it would have been a far different picture.

I, as an administrator, I guess, must confess to some question of why this is called a trust fund. It has none of the characteristics of a trust fund. The taxes have nothing to do with the services being provided. We don't even earmark all of the taxes collected for a particular purpose.

I think we ought to simply—I think some of your work suggests this—treat it as a general revenue sharing kind of proposal and discuss it in those terms. The trust fund has no integrity to it as a trust fund.

I would be amazed, frankly, if Congress were willing to surrender control of what, over the 10 years, is the $238 billion with absolutely no impact on what was going to be done with that money.

I have watched Washington too long and seen too many cases where something goes wrong and Congress steps in. I just think that that is not a good idea.

The administration's proposals are terribly inconsistent with one another. I, again in the written testimony, have identified some of those, but we are really going in quite opposite directions at the same time.

It seems to me that what we basically need is a coherent policy that pulls all these things together and gives the Congress a blueprint that is much more of a corrective blueprint.

I have suggested two things: That there be a commission on human services, a commission which I think would complete its work in less than a year. It might even meet the President's timetable to have changes for 1984.

I think it should follow the bipartisanship of the Hoover Commission and also the prestige of the Hoover Commission in terms of how it does its work.

I am aware of S. 10, and, of course, that was one of the purposes of S. 10. I must say that I am dubious that because of the Commission's scope in S. 10 it would be able to get to this quickly enough.

Finally, I would suggest that the committee structures in the Congress present a problem in the sense that these problems cross so many lines and there is not a very good way for the committee to work with one another.

I think you have had some experience on the Committee on Aging, through a special committee, and I would suggest a similar thing in this case.

Thank you, very much.

Senator DURENBERGER. Thank you, very much.

Let me take a few minutes with you to address one or two issues about which all who appeared here today have some concern.

The first issue arises from your testimony. What you seem to be saying is that we, as a society, should judge the quality of our society, at least in part, on how much money government, particularly the Federal Government, spends on public assistance programs.

Is that what you are saying?

Mr. SUGARMAN. I think there are several points I tried to say; that it is important what this money accomplishes. The availability of money by itself is not the answer. We put a lot of money into drug addiction. We put a lot of money into alcoholism. We put a lot of money in education. We put a lot of money in training.

The results, in my judgment, do not sustain that we are doing it the right way.

The important thing from my point of view is a continuing Federal commitment. I just do not think that the Federal Government should walk away from responsibility for human services.

Senator DURENBERGER, It isn't fair to measure our society just in terms of the dollars we spend on government programs.

Mr. SUGERMAN. No, it is not.

Sneator DURENBERGER. I have come to the conclusion that the quality of any society ought to be judged by—particularly in the area we are talking about here—whether we, as Americans, have security from want and how much of that security is provided by our earnings and our savings. It should not just be judged by how much our Government spends on us. That is another important factor in measuring the quality of our society.

Mr. SUGARMAN. I think, Senator, there are important financial measures. For example, in the income maintenance area, I think we could have a national standard of need. As you have suggested in your letter to the President, we know that individuals at 50 percent of the proverty level are in desperate shape. That is an important dollar measure. But if you tell me that Head Start is going to have $2 billion instead of $1 billion, that won't tell me very much.

Senator **Durenberger**. It is necessary to move all of us in the direction of analyzing the issue of income security. This came home to me when I was at Tidewater trying to get a of Republicans to commit to income security as a primary national responsibility. There were 90 people present with 90 different versions of income security, depending on whether you read New Republic or whatever. Part of this process of analyzing swaps, turnbacks and so forth is really getting at what are the national or Federal Government responsibilities and how we define our society.

That brings us to whether it is poverty level or subsistance income or whatever. I would suggest a definition for income security to be an assured access to a collection of goods and services which provides me with a subsistence income—not only me, but everybody else in our society. Would that vary greatly from your definition?

Mr. **Sugarman**. No, it wouldn't. I believe in the formulation described in your letter to the President. You spoke of an access to work as being one of the parts of that. I think that is very important.

Senator **Durenberger**. Then let me suggest—just to take this another step—that there might be three basic ways for individuals in our society to achieve such income security. One is through earnings and savings—salaries, wages, savings, investments, and so forth. The second way is through the social insurance programs like unemployment compensation, social security, medicare, and those types of programs. A third way is through public assistance programs—many of which we have addressed this morning—AFDC, food stamps, SSI, and the like. Would that be a fair foundation for income security on which we could start the process of determining what kinds of Federal policies best meet the needs of people?

Mr. **Sugarman**. I think that describes the structure well on the three basic approaches. I think the issue, of course, is who is responsible for that third approach and also, should that third approach not be the approach of last resort? I think that where we have gone wrong and where I fear we will go wrong in the future is in not really addressing the job creation issue.

Senator **Durenberger**. It sounds as though you would come to the conclusion that, if we were to stand back and judge American society on those three bases, the best society would be the one that achieves as much of its income security as possible through earnings and savings?

Mr. **Sugarman**. Yes, sir.

Senator **Durenberger**. Our concern today, in 1982, is that we might be achieving No. 1 at the price of No. 3, for example, and skipping over social insurance. It may appear to a lot of people that, in our effort to put some accent on income security through earnings and savings, we might be neglecting income security through public assistance. Would that be a fair evaluation of some of the problems we see right now in tying budget cuts, the New Federalism and things like that altogether with the recession?

Mr. **Sugarman**. I think that is correct. I think there is a basic misconception of the availability of jobs and the administration goes in opposite directions on jobs issues. It abolishes the public service employment program because it says that is a bad kind of employment. It promptly demands that the States recreate that program for welfare recipients in the form of work programs. Neither one of those programs really addresses the issue of where is the employment market, particularly for lower skilled people? We are going to have lower skilled people as part of our society for a long time. We have a technological change taking place that will make a lot more people obsolete from skilled work program.

That is the issue that has to be addressed.

Senator **Durenberger**. The last point I would like to make is to thank you for what you said in your statement about the differential in capacity among the various States. That is a very troubling problem because, traditionally, we have tried to alleviate those problems through entitlements or categorical grant programs. Some of the New Federalism proposals suggest that an alternative is to use the Trust Fund, or revenue sharing, or something like that to shore up the capacity of Mississippi and some of the other States.

Somewhere in coming to grips with the New Federalism we have got to develop some kind of a consensus about what our role is in fiscal disparities. Most of the public interest groups representing government, the various levels, prefer the resource approach. In other words, they prefer to use our progressive income tax system to alleviate fiscal disparities. However, they object when we say, "The price of that is you have to commit to a minimum subsistence level. Otherwise, we will not pull out of the Federal programs."

The recognition of that difference in capacity among the various States, is a very important part of working ourselves towards an answer to our problems.

I thank you for your testimony and for your insight into the problem. If you have any other suggestion for us as we move towards some conclusion this year and in the future, we would certainly appreciate it.

Thank you.

Mr. **Sugarman**. Thank you, Mr. Chairman. I think the single step that will help the most is to get the work organized.

[The prepared statement, with attachment, of Mr. Sugarman follows:]

TESTIMONY OF JULE M. SUGARMAN
PRESIDENT, HUMAN SERVICES INFORMATION CENTER
ON THE PRESIDENT'S PROPOSALS FOR NEW FEDERALISM
MARCH 18, 1982
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

Mr. Chairman and Members of the Committee: I appear today at the invitation of the Committee and as a private citizen. My testimony is limited to the human services features of the New Federalism including both income maintenance and service delivery programs. The views I will express are my personal recommendations.

A word as to my background. From its creation in 1965 I was responsible for organizing and managing the nationwide Head Start program. In 1969 and 1970 I supervised the U.S. Children's Bureau and the Office of Child Development which combined Head Start and the Children's Bureau. From 1970 - 1973 I served as Human Resources Administrator for New York City; a period during which a workfare program was inaugurated for General Assistance recipients, AFDC rolls were reduced by 90,000, and children's and senior citizens' programs were substantially increased. From 1974 to 1976 I served as Chief Administrative Officer of the City of Atlanta. From 1977 to 1980 I was Vice-Chairman of the U.S. Civil Service Commission (later Deputy Director of OPM). During that period I worked with Scotty Campbell and this Committee on the enactment of the Civil Service Reform Act of 1978.

My current privately operated organization is devoted to presenting information on changes in human services throughout the nation. Under the auspices of over 50 national organizations of differing political persuasions (see attachment A), I have made over 80 objective presentations throughout the country. We have also published two books which present factual information on changes in human service programs. Today, however, is the first time I have taken a public position on the New Federalism.

I am essentially a public administrator, but with strong personal views on the importance of an adequate and effective program of human services for America's vulnerable populations. I believe it is essential to quickly fix programs which are not working well. But one cannot do that without understanding both why the programs are not working and why alternate arrangements are likely to work better. Failure at any level of government should be of concern to the Congress for we are and should be, despite suggestions to the contrary, one nation indivisible in our concern for our own people.

In my testimony today I want to make three points.

1. There are significant problems with our human services systems today. However the structural issues of who manages what are among the less important. Far more critical are the content of the programs and the equitable financing of those programs.

2. The New Federalism, at least as initially proposed, appears to be designed more to allow the Federal government to walk away from the costs and the problems than to contribute to their solutions. More value is given to the neatness of sorting out roles than to the question of whether it will improve the effectiveness of service.

3. Our changing economic and political environment does require change in the way things are done. Prompt action is essential.

My basic position is that, with the information currently available, Congress is not in a position to make sound judgements about the myriad of critical issues related to human services. I hope to demonstrate to you that those issues are so important that the Congress, before it acts on the structural changes of New Federalism, should establish a Commission on Human Services analagous to the highly successful Hoover Commissions. By concentrating on the issues suggested later the Commission could focus and illuminate the real issues with which Congress must deal. Additionally, I will urge creation of a Special Committee in the Senate to guide the development of human services policies and programs which cross present committee lines.

The situation Congress faces is a request by the President to drastically alter a pattern of relationships among Federal, state and local governments which has been steadily evolving and changing for fifty years.

This committee and the other standing committees of Congress have spent endless hours hearing witnesses, deliberating on alternatives and carefully crafting legislation which would best serve the public interest. Those were not mindless exercises to be cast away in favor of proposals which have barely seen the light of day. Nor were their results as wholly unsatisfactory as some would have us to believe. I can tell you from the vantage point of having visited over thirty states in the last nine months, from having talked to dozens of state legislators of both parties and thousands of American citizens that there is a strong concern about what could be lost. While their is only the vaguest understanding of what the administration proposes the mood is one of caution. Despite strong misgivings and reservations about features of our present programs there is certainly no universal mandate to dispense with them.

We should also not overlook the success of Federal programs. The fact remains that American citizens need not live in abject poverty today; that people need not starve; that there is virtually universal access to medical care. The fact is that we have seen basic advances in public health; entry to the mainstream of life for thousands of disabled individuals; the evolution of services for millions of senior citizens whose later years might have otherwise been unbearable.

Neither the Congress nor the public should ignore those accomplishments of the Federal government. But having said all that we still have 11%, and that figure is still rising, of our nation living below the poverty level. We still have an underclass who are not realizing the American dream. We still have those who for reasons of age or handicapping condition will never able to be fully independent. These are the real issues which we must face up to. It is my judgement that structural changes are not likely to have much impact when we do not address the substantive issues.

Today's Problems

I want to assure this committee that I do not come with a pollyannish view of our existing programs nor with any lack of awareness of their growing costs. In the areas of education of the disadvantaged and training and employment of those with lesser skills -- our programs continue to fall far short of expectations. We have essentially failed thus far to develop sufficient appropriate employment opportunities; a problem which I expect to continue even when the economy recovers. We do not seem to have grasped the fact that industrial employment may, under the best of circumstances, no longer be able to grow.

I am also concerned about the large proportion of children born to very young unwed mothers and the number of children who do not have a supportive family environment. I fear, although the data is incomplete, that we are seeing a significant increase in second generation welfare families. But I also know that for many recipients welfare is an episodic matter. After all, 50% of the recipients leave the rolls each year. Perhaps the most tragic of our failures is the largely unsuccessful effort to turn around the lives of juvenile delinquents and crimninals; to prevent younger people from destroying themselves and their communities with drugs and alcohol.

Levels of Human Services Spending

I am, as you must be, deeply concerned by the growth in human services expenditures. More importantly, I know from direct personal experience in operating the largest municipal human services agency in the country that we are not getting full value for our dollars. But if we are to control the growth in expenditures we have to understand what is growing. Table "A" below shows the changing picture from 1960 to 1983. Table "B" provides more detail on medical expenditures. If our overriding national priority is changing the growth rate of human services it is abundantly clear that the costs of medical care and the costs of the social security system are where the money is.

TABLE A
HUMAN SERVICES SPENDING - SELECTED MAJOR PROGRAMS
FY 60 - FY 83

	Actual					Estimate	
	FY 60	'65	'70	'75	'80	'82	'83
S. Sec. (OASDI)	11.7	17.5	30.2	64.7	118.6	138.2	154.4
Unemployment	1.0	3.1	1.5	13.5	18.0	25.2	22.6
AFDC & SSI	2.0	3.1	5.2	7.4	13.3	14.5	16.0
Food & Nutrition	---	---	---	6.6	14.0	15.6	13.8
Health Programs	1.8	4.5	19.7	49.8	108.9	148.3	161.0
Employmnt & Tng	.5	.5	1.6	4.1	10.3	6.0	3.4
Elem. Sec. Voc. Ed	.3	.6	3.3	4.6	6.7	7.1	5.5
Higher Education	.3	.4	1.4	2.1	5.7	7.0	6.3
Social Services	.3	.5	1.5	3.9	6.1	6.4	5.1
Veterans*	4.0	4.0	7.0	12.5	14.0	16.0	16.4
Totals	21.9	34.2	70.4	169.2	315.6	384.3	409.5

*Excludes Health Care

TABLE B
HEALTH CARE COSTS
1960 - 1983
(in Billions of Dollars)

	1960	'65	'70	'75	'80	'82	'83
Medicare	--	---	5.0	14.8	35.0	49.9	57.9
Medicaid	--	1.3	2.6	7.1	14.4	17.4	17.2**
Health Care*	.8	1.9	10.3	24.2	53.0	73.4	78.1
Vets Hospital & Medical Care	1.0	1.3	1.8	3.7	6.5	7.6	8.1
Total	1.8	4.5	19.7	49.8	108.9	148.3	161.0
% of Human Services Budget	8.2%	13.2%	27.6%	29.4%	34.5%	38.6%	39.8%

* includes health care services, health research, education and training of health care work force, consumer & occupational health & safety.
** budget adjusted to include full four quarters

Fraud, Waste and Abuse

The Administration contends that there is too much fraud, waste, and abuse in the programs. This charge seems to relate primarily to AFDC, Food Stamps and Medicaid. I think it very important to understand that these programs are already administered by state and local, not Federal, employees. It is the former who decide on eligibility and benefit levels, who pay or refuse to pay Medicaid bills. What is it in the New Federalism that will suddenly improve their performance?

It is my conviction that the reasons for fraud, waste and abuse in these programs have less to do with who is administering the program and more to do with the nature of the program. My experience in New York taught me that the attitude of state and local management is perhaps the most critical ingredient to successful management, closely followed by good systems and supervision. But even when those factors are favorable the rules are so complex and demanding and so constantly changing, that they are beyond the ability of ordinary people. What we have done is to create systems programmed to fail, thereby confirming everyone's belief that welfare cannot work. We found that better than two thirds of our errors were employee failures, not attributable to the welfare recipient.

State Flexibility

One of the charges made by critics of the current situation is that there is not sufficient flexibility for the states. However the fact is that if one examines Federally financed programs there are enormous differences among states. For example, in Medicaid forty per cent of the states offer no services to the medically needy; sixty per cent do, but with a wide range of allowable services. One state offers no services at all.

The states' rules on AFDC families permit monthly disposable income for a non-working AFDC recipient ranging from 49% of the poverty level to 101%. For a working AFDC family the range was 69% to 130%. This hardly shows a rigid Federal policy that is unyielding to state preferences.

On the other hand, there clearly is some truth to the belief that there is too much unwise regulation and too much paperwork. Let me be candid in saying that a portion of this exists because Congress itself has required that there be regulation. Other parts are due to the practice among Federal officials of literal interpretation which pushes the regulators to extremes never contemplated by the Congress. In the same vein, many parts of the paperwork stem from criticisms by standing and appropriation committees and by the General Accounting Office that Federal agencies had insufficient information and inadequate controls on the use of Federal funds, a situation which would be multiplied manifold by New Federalism.

Targeting of Funds

But there also were sound reasons for Congressional and executive decisions to regulate. Requirements to target funds to the areas of greatest need were put there because of the historical pattern of dividing money evenly among parts of a state and serving those with the least need for help. I think the political dynamics in many states are the same today as they were years ago. Already we know that states are transferring low income energy block grant funds to bolster state or county welfare departments; the Community Services Block Grant funds are already targeted for distribution in some states to all counties rather than concentrating in those counties with the greatest need.

One only need look at the history of state employment services to know they have not paid much attention to those with few or no skills. What room for optimism is there that this will change?

The New Federalism

Work of ACIR

I am a great admirer of the scholarly, but practical, work the Advisory Commission on Intergovernmental Relations has done over the years. No other group has done a more thorough study of the problems of our present allocations of responsibilities among Federal, state and local governments. The five standards of assessment suggested in their June 1981 report (An Agenda for American Federalism) are thoughtful and deserving of real consideration by the Senate. Their work, however, has not been sufficiently exposed to the views of service providers, advocates and consumers, nor necessarily to a full range of state and local officals. This is a role I believe the proposed Commission on Human Services ought to play.

As for the Administration, it appears to have relied considerably on ACIR's diagnosis of problems, but drastically altered its prescription for change. Basically ACIR contends that income maintenance programs should be a Federal responsibility whereas the Administration is trying to unload as many as possible.

The Role of Congress

I agree with the President that it is timely to reexamine our human service systems. I cannot agree that the Administration has yet presented the kinds of information which will permit Congress to make informed judgements. The Congress should vigorously resist any effort to stampede it into premature decisions. The choices in terms of the FY 83 budget can be made without having to resolve the legislative issues of the New Federalism. There is absolutely no reason at this time to forclose Congressional options for FY 1984, to blindly dismantle the work of fifty years without carefully sorting out the productive from the counterproductive recommendations.

Let me say parenthetically that this is not a responsibility which can be met through a simple agreement between the President and the Governors. There are too many other parties at interest which have a right to be heard; the counties, the cities, the religious, labor, business and philanthropic organizations; the providers of services and beneficiaries rightly regard the Congress as their forum. Last year they were alarmed by the vast amount of change which took place without the benefit of testimony, hearings and debate. Our democracy will be that in name only if the Congress does not insist on full deliberation before acting on these revolutionary proposals.

All of this is not to say there is no wisdom in the President's proposals. It is to say they are much too important to be rushed through without Congress' full review of their merits and any potential alternatives to them.

Presidential Policy

Let me now examine the President's proposals in terms of their capacity to solve national problems. First and foremost we have to understand that the President passionately believes two things: (1) that the Federal government should not be in the business of providing human services and (2) that the nation must marshal its resources primarily to support the national defense. As the Administration budget explicitly points out, by 1987 it hopes to reduce all domestic expenditures (excluding Social Security and a few other items) from 8% to 2% of GNP. This is necessary says the President to prevent public expenditures from constraining private investment. Logically, then, if state or local governments were to replace Federal funds, we would still be interfering with private investment.

I believe that the true objective of the New Federalism is to drain away as much human services funding from all sources as the nation will tolerate. Although the Administration sometimes suggests that states or private funds could replace Federal funding, it has not taken sufficient steps to make this happen. Its interests are, baldly, to get out of the business and let the chips fall where they may.

The President has acknowledged the need for a on-going safety net of Federal support, but continues to narrow that net. For example, the latest version speaks of continued support for local education of the disadvantaged, but offers a budget which, when adjusted for inflation, is 56% below FY 80 with a further reduction of 23% projected for FY 84. Similarly, service programs to the aging are included in the safety net but are reduced 11% in FY 83 alone. The Head Start program, which has been publically acclaimed as a "safety net" program by the President and has been level funded, has recently experienced proposed administrative changes that could dramatically alter the nature of the program.

A safety net has no value if you cannot rely on its continuing existence. Congress ought to define both the scope of that safety net and minimum levels of Federal support for at least a four-year period.

Tax Capacity

Let us assume, for a moment, that states would increase their expenditures to replace some significant portion of Federal funding. The Administration, I think quite mistakenly, assumes that all states have the fiscal capacity, if they so desire, to provide whatever is necessary. The states as a whole, are currently experiencing great fiscal difficulties. But assuming that the overall situation improves, there are still major problems of relative ability. The Advisory Commission on Intergovernmental Relations, a firm advocate of sorting out Federal/State/Local responsibilities, is equally firm in pointing out the enormous discrepency in tax capacity among the states.

Through its representative tax system, ACIR has calculated the ability of states to raise money under uniform tax rates. Table "C" shows an index of tax capacity based on a national average of 100. The range is from Mississippi and Alabama at 71 and 76 to Alaska, Wyoming and Texas at 215, 179 and 122 respectively.

TABLE C

ACIR CALCULATIONS OF
REPRESENTATIVE TAX CAPACITY

	TAX CAPACITY		
STATE	1979	1977	1975
New England	93	95	97
Connecticut	106	107	108
Maine	80	82	84
Massachusetts	91	92	95
New Hampshire	97	102	103
Rhode Island	84	87	88
Vermont	86	92	94
Mideast	93	97	99
Delaware	111	122	125
Dist. of Col.	107	118	115
Maryland	98	100	100
New Jersey	101	104	107
New York	87	91	96
Pennsylvania	92	98	97
Great Lakes	103	104	103
Illinois	112	112	112
Indiana	97	100	97
Michigan	102	103	99
Ohio	99	103	103
Wisconsin	96	97	96

TABLE C (cont.)

STATE	TAX CAPACITY		
	1979	1977	1975
Plains	101	98	100
Iowa	106	104	105
Kansas	107	104	108
Minnesota	102	98	96
Missouri	95	94	95
Nebraska	96	99	104
North Dakota	106	97	100
South Dakota	92	89	93
Southeast	89	88	89
Alabama	76	77	77
Arkansas	78	79	79
Florida	104	104	104
Georgia	83	85	86
Kentuckey	86	84	86
Louisiana	108	103	102
Mississippi	71	71	71
Morth Carolina	82	83	84
South Carolina	77	78	78
Tennessee	81	83	84
Virginia	93	90	93
West Virginia	95	90	89
Southwest	116	111	110
Arizona	95	92	94
New Mexico	105	101	94
Oklahoma	113	105	103
Texas	122	116	116
Rocky Mountain	108	105	104
Colorado	111	109	107
Idaho	91	88	89
Montana	111	103	103
Utah	88	90	88
Wyoming	179	159	162
Far West	115	113	110
California	116	114	111
Nevaada	164	155	149
Oregon	105	104	100
Washington	103	101	98
Alaska	215	154	159
Hawaii	105	107	109
U.S. Average	100	100	100

While many advocates of human services are extremely critical of the level of programs in certain states (e.g. Mississippi or Alabama) these states already spend a greater portion of state GNP on human services than do the more affluent states. While the economic fortunes of some of the poorer states are improving, I think it will be many years to come before the states have any reasonable degreee of parity in their ability much less their commitment to support human services. Until that time, I believe, as does ACIR, that the superior ability of the Federal government to collect taxes should be used to assure minimum levels of support to our vulnerable populations.

Fund Allocation

The proposals would allocate funds to the states on the basis of experience in 1979, 1980 and 1981. While that may be the politically easy way, it is hardly the equitable way. It would permanently freeze into law a distribution which bears little relationship to the numbers of poor people in each state.

In Table "D" we have shown the results of a special study of 24 states done by the Human Services Information Center. It shows the relation of Federal funds in 1980 to the numbers of people in poverty. The range of $1,054 to $3,554 is dramatic evidence of the inequity of present distributions. It also confirms the fact that it is the richer states which most benefit by Federal programs. If the Administration has thought its program out and intends to be even handed, why does it miss the boat in terms of both fiscal capacity and fund allocation. Once again the dominant motivation seems to be simply to shed Federal responsibility.

TABLE D
RANK ORDER OF STATES: COMPARISON OF PER CAPITA FEDERAL FUNDS RECEIVED PER PERSON IN POVERTY AND PER CAPITA PERSONAL INCOME

	Federal Funds Per Person in Poverty[1]		Per Capita Personal Income[2]	
State	Amount	Rank (Low-High)	Rank	Amount
MS	1,057	1	24	3,788
FL	1,142	2	11	5,226
TX	1,148	3	9	5,299
NM	1,225	4	21	4,432
GA	1,231	5	14	4,593

LA	1,355	6	17	4,579
NC	1,357	7	18	4,513
KY	1,406	8	19	4,508
SC	1,412	9	22	4,297
MO	1,430	10	13	4,972
WV	1,434	11	15	4,579
AR	1,440	12	23	4,174
TN	1,463	13	20	4,475
OK	1,504	14	12	5,048
AL	1,524	15	16	4,272
IN	1,902	16	8	5,315
IL	1,919	17	2	6,011
OH	1,975	18	7	5,377
PA	2,129	19	10	5,243
CA	2,225	20	1	6,072
MI	2,565	21	4	5,680
NJ	2,558	22	3	5,947
NY	3,317	23	5	5,570
MA	3,554	24	6	5,408

1) 1980 Data
2) 1979 Data

Note: Data includes income maintenance and twenty two major service programs.

The Great Swap

The Administration proposes to assume full responsibility for Medicaid if states will take Food Stamps and Public Assistance. More recently an alternative has been suggested of having the aged, blind and disabled as a total Federal responsibility, which they already are except for Medicaid, in return for states handling the younger groups. Both proposals are billed as a dollar for dollar trade off. While there is some question about the arithmetic let us assume that is true at the national level. Emphatically it is not true on a state by state basis.

Table "E" shows data from a 24 state study by the Human Services Information Center on the proportions of income maintenance funding from AFDC, Medicaid and Food Stamps. Group A are the 14 states with the highest concentrations of poverty. These are also, with the exception of Texas, among the poorest states. Note that almost all of these states have 36-51% of funds coming from Food Stamps. Group B, the more affluent states, are almost all under 35%.

Table E
Distribution of Income Maintenance Funding in Relation to Poverty Levels
(FY 80 Data)

	Percentage Population in Poverty	Number of People in Poverty	Percentage of Federal Funds by Program		
			AFDC	Medicaid	Stamps
Group A					
MS	26.1	607,000	14.0	48.4	37.6
NM	19.3	223,000	19.6	32.8	47.6
LA	19.3	720,000	13.9	48.7	37.4
AR	18.5	382,000	10.6	54.3	35.1
GA	18.0	883,000	13.8	47.9	38.3
KY	17.7	596,000	17.4	44.5	38.1
SC	17.2	478,000	13.0	45.3	41.7
AL	16.4	587,000	11.8	41.2	47.0
TN	15.8	660,000	10.1	44.6	45.3
TX	15.2	1,870,000	7.9	52.3	39.8
WV	15.1	270,000	22.0	40.5	37.5
NC	14.7	780,000	17.0	46.1	36.9
FL	14.4	1,225,000	16.2	32.2	51.6
OK	13.8	370,000	18.2	61.3	20.5
Group B					
CA	10.4	2,192,000	36.2	47.1	16.7
NY	9.4	1,671,000	23.0	59.6	17.4
IL	10.5	1,150,000	26.0	46.0	28.0
PA	9.7	1,133,000	29.8	46.6	23.5
OH	9.4	997,000	27.7	40.2	32.1
MI	9.1	821,000	39.0	42.8	18.2
NJ	8.1	586,000	29.0	45.6	25.4
MO	12.0	565,000	24.0	46.7	29.3
IN	8.1	424,000	16.7	47.8	35.5
MA	7.1	408,000	26.4	56.3	17.3

Clearly if the poorer states have to assume that full 100% Federal program they will be heavy losers in the swap. In such an exchange the concept of a food stamp program is unlikely to survive. I expect many states will use the total funding for an improved AFDC program, but exclude the intact families, the singles and the elderly who are now dependent on food stamps.

With respect to Medicaid it is difficult to know what the Administration has in mind. It seems likely, given their 1983 proposals, that they would sharply restrict the eligibility of medically needy persons and the availability of optional services. States that in the past had provided more comprehensive coverage than a single national standard would soon find themselves facing a public demand for replacement funding.

Why a Trust Fund?

It puzzles me as to why the Administration chooses to speak of a Trust Fund when it has none of the characteristics of a trust fund. The activities for which the money would be used have nothing to do with one another or any common purpose. I think it particularly unfortunate that operating program funds are put in competition with capital construction needs.

The taxes to be paid into the Trust Fund have nothing to do with the purposes for which they would theoretically be used. This is not in any real sense a trust fund. It is a gimmick designed to give the appearance of program integrity. It cannot deliver on that promise.

Congressional Control

What the President is proposing is that during a ten year period Congress remove itself from any oversight or responsibility for $238 billion of Federal funds. It is important to understand that the money is really general revenue sharing or as the Administration calls it, "Super Revenue Sharing." The states, beginning October 1, 1983, are under no obligation to use it for the programs being transferred. Salary increases for state employees, construction of facilities, reduction of taxes are all possibilities. Seemingly, this is another example of the Federal government walking away from any responsibility for human service programs.

How will you explain to your constituents that you have no idea how the money is being used in any given state, much less your own state? Who will you call to account when abuses occur? The Governor? A state official? Unlikely. How willing will you be each year to vote for up to $28 billion of funds when the Executive Branch can give you no information on how the funds were used, much less how effective they were? Are you willing to give up the authority to take corrective action when you find programs are not meeting needs? How long will you be able to resist constituent pleas for new services because "my state isn't meeting the need?"

The experience with General Revenue Sharing is that Congressional support is hard to come by when there is no Federal involvement. How tempting for an Administration or a Congress seeking to reduce its fiscal problems to scale down the $28 billion because there is no evidence of what is being accomplished with it.

Inconsistencies in Administration Proposals

Let me give you an illustration of the kinds of unintended consequences which occur when legislation is hurridly enacted. Last year Congress approved changes in the AFDC program designed to reduce income disregards for welfare recipients. What Congress did not apparently understand, as Tom Joe of the Center for the Study of Social Policy has documented, is that in at least twelve states the recipient who works would actually have a lower disposable income than the one who does not. That number will increase to twenty-three states under the Administration's proposals for FY 83. That kind of result is clearly inconsistent with the Congress' interest in encouraging welfare recipients to seek employment.

The Federal government has matched AFDC and Medicaid funds according to each state's program and has distributed service program funds under a variety of formulae. The objective is generally thought to be equitable treatment. But does the Congress realize that using those formulae in FY 80 provided only $1,142 for every poor person in Florida or $1,440 for Missouri as contrasted to $3,554 for every poor person in Massachusetts and $3,317 in New York. The result of our present policies is clearly that the wealthier states are much more generously treated than the poorer states, exactly the opposite of what the public believes is happening. The Administration's proposals for a switch of Medicaid, AFDC and Food Stamp proposals are likely to compound those discrepencies because the 100% Federally funded Food Stamp program has been such a boon to the lower income states. The poorer states are clearly going to be hurt more under the proposed swap of programs.

The heart of the matter is that Congress is being asked to make a multitude of changes which have only two points in common: to abandon Federal responsibilities for large segments of the human services and to reduce federal expenditures. What is lacking is any really coherent set of principles which define an appropriate Federal role or any consistency of action among the parts.

For example, the Administration simultaneously seeks to reduce nursing home utilization and imposes a new copayment requirement on home health care services. It simultaneously supported the abolition of public service employment while demanding that states create work-fare jobs in the same agencies. It threatens to penalize states by witholding funds equal to all erroneous AFDC, Food Stamp and Medicaid payments while at the same time reducing the Federal share of the costs of administration. It complains about mismanagement and waste of funds, and demands accountability but tells states that Federal funds for the aging may no longer be used for planning and evaluation. It points with pride to its record in reducing regulations and paperwork while simultaneously requiring a reporting system for welfare recipients which goes well beyond prevailing practices.

In my judgement the nation desperately needs a coherent set of principles and programs as we enter the new age of limited resources. It needs to look not only at the dollar saved today, and that is important, but at the long-term costs to the nation. The reduction in the infant nutrition program will save 1983 dollars. But with the likely prospect of an increase in new born mentally retarded due to nutritional deficiencies, this will cost the public many times that amount. The cutbacks in the 1983 immunization budget may mean that only 3.4 to 3.8 million children are immunized, between 2.5 and 2.9 million less children than in 1981. What long-term impact will this have on human suffering and medical costs?

Commission on Human Services

For the reasons cited above I believe the Congress should not act on the President's proposals this year. But the nation does need programs that preserve the domestic tranquility, conserve and strengthen our human capital, and re-emphasize the traditional values of equitable treatment and compassion. For these reasons I urge this committee to sponsor legislation which would create a National Commission on Human Services. The mission and structure of this Commission would be analagous to the highly successful Hoover Commissions which reformed the structure of the Federal government in 1949 and 1952. This bipartisan commission should be given the necessary resources to develop a well thought out set of principles and specific legislative proposals by 1983. Congress would then have both the time and the information to make a reasoned judgement on the future of human services and the appropriate Federal responsibility for such services. This timetable would not unduly delay consideration of the President's proposals, for Congress, if it so chose, could enact legislation to be effective - as the President suggests - in FY 1984.

For the Committee's consideration I have attached draft legislation creating a bipartisan Commission on Human Services. The structure, directly paralleling the Hoover Commissions, calls for 12 members of which the President Pro Tempore of the Senate would appoint four, the Speaker of the House four and the President four. No more than two nominees of each appointing officer could be from the same political party. Six appointees would be from public life and six from private life. The Commission would elect its own chair. All Federal agencies would be directed to provide information to the Commission and to cooperate with it. The legislation authorizes and appropriates $2,000,000 to carry out the Commission's work.

Organization of the Senate

One of the problems that underlies our difficulties in dealing with human services lies with the structure of the Senate itself. Problems and issues lie within the jurisdiction of several committees or do not clearly belong to any specific committee. This is true with respect to both the substance of legislation and appropriations. For example employment issues cross Finance and Labor-Welfare lines. Food Stamps, Medicaid, AFDC and Housing Assistance are all income maintenance related, but cross at least five committees' jurisdictions. It seems to me that the Senate ought to consider some institutional mechanism for dealing with these and similar cross-cutting human services issues. On an ad hoc basis the Senate has experimented with simultaneous referral, joint hearings and working groups. I believe however that some more stable and organized mechanism is essential. Among the approaches which might be considered are the following:

1. A joint committee analogous to the Joint Committee on the Economic Report with investigatory and study powers, but no legislative powers.

2. Standing special committees in each House made up of members from the committees having jurisdiction over human services issues (e.g. Agriculture, Nutrition and Forestry; Banking, Housing and Urban Affairs, Finance, Governmental Affairs, Labor and Human Resources). Some precedent for this might be found in the work of the Special Committee on Aging.

3. A restructuring of commmittee jurisdictions which while theoretically possible, may be impractical because of continuing cross-cutting of issues.

My own instincts lean toward the second approach because it fits so naturally with the exisiting practices in the Senate.

Concluding Remarks - Issues That Demand Attention

Let me close by suggesting a few of the many issues which such a Commission on Human Services and a Special Committee of the Senate might consider. Some are old issues which have been studied in the past, but where no resolution has been reached. Others derive from our changing economic and social environment and the new challenges which it poses.

What could a Commission on Human Services do for the Congress? Basically I think it would provide for your information its judgement as to:

- What circumstances merit the use of public funds in support of human service programs?

- What existing human service programs are sufficiently important to the national welfare that the Federal government must play a substantial role in them?

- What is the minimum degree of Federal management and financing for each needed program to assure that the national interest is met?

- During a period of limited resources, and in anticipation of a changing economy, what should the Federal government be doing to devise and try new approaches?

- What should the Federal government do to assure that Federal dollars are prudently and effectively used?

- What should the rationale be for equitably distributing human services funds among the states. What weight should be given to a state's fiscal capacity, to its level of poverty and to the size of its vulnerable populations?

- How can Federal policy be supportive of voluntary and self-help efforts which might replace or add to public funding?

- One of the facts of economic life is that it costs money to be poor. If you don't have the money for a substantial downpayment on a house, or to buy a car with which to get to work, or to pay college tutition, you end up having to pay a lot more money than affluent persons. Over the last five decades the government has intervened with a wide variety of grants, loans and loan guarantees to create human capital.

- The President considers these activities as interfering with the free market, but he offers no real alternative for those with lower incomes. Is it conceiveable that private investment can be attracted? Is it possible that new approaches to the investment of time or sweat by those with lower incomes, their friends or relatives or simply concerned individuals could generate capital for young people?
- What are the strategies which will provide an adequate number of jobs for individuals with lower skill levels?
- How can the necessary research, demonstration, training and technical assistance best be accomplished?

While this appears to be a formidable agenda, it is, in my view, one which can be accomplished within a year or less. Many studies have already been done. While there are data gaps, that which is available is probably adequate to support reasoned judgement.

I urge the Senate to act this on a Commission. Its creation could be one of the most important steps taken by this body.

I appreciate the opportunity to testify and would be pleased to be of asssistance in the future.

Attachment

S.______

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress Assembled that:

DECLARATION OF POLICY

Section 1. It is hereby declared to be the policy of the Congress to promote the public welfare by defining the continuing responsibilities of the Federal Government for human services and by determining under what circumstances and in which types of programs the responsibility should be exclusively that of the Federal Government, or of the Federal Government together with the States, Local Governments or private organizations, or exclusively that of the States, Local Governments and private organizations.

It is also the policy of the Congress to

(1) limit expenditures to the lowest possible amount consistent with the efficient and effective performance of human services;

(2) eliminate non-productive duplication and overlapping of services, activities and functions;

(3) consolidate services, activities and functions of a similar nature;

(4) abolish services, activities and functions not necessary to the efficient conduct of government;

(5) redesign programs which are failing to meet a critical need;

(6) provide for the collection of information on and the periodic evaluation of programs financed through Federal funds;

(7) provide mechanisms through which all parties at interest may participate in setting priorities for the use of human service funds;

(8) encourage innovation, demonstrations, research and training which have the potential of improving the delivery and effectiveness of human services.

ESTABLISHMENT OF THE COMMISSION ON HUMAN SERVICES

Section 2. For the purpose of carrying out the policy set forth in section 1 of this act, there is hereby established a bipartisan Commission on Human Services (in this Act referred to as the "Commission").

Section 3. (a) Number and Appointment - The Commission shall be composed of twelve members as follows:

(1) Four appointed by the President of the United States, two from the executive branch of government and two from private life;

(2) Four appointed by the President pro tempore of the Senate, two from the Senate and two from private life; and

(3) Four appointed by the Speaker of the House of Representatives, two from the House of Representatives and two from private life.

(b) Political affiliation - Of each class of two members mentioned in subsection (a), not more than one member shall be from each of the two major political parties.

(c) Vacancies - Any vacancy in the Commission shall not affect its powers, but shall be filled in the original manner the appointment was made.

ORGANIZATION OF THE COMMISSION

Section 4. The Commission shall elect a Chairman and a Vice-Chairman from among its members. It may also establish such panels as it deems necessary to its work and may invite private citizens to participate on such panels.

QUORUM

Section 5. Seven members of the Commission shall constitute a quorum.

COMPENSATION OF MEMBERS OF THE COMMISSION

Section 6. (a) Members of Congress - Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Members from the Executive Branch - The members of the Commission who are in the executive branch of the Government shall each receive the compensation which they would receive if they were not a member of the Commission, and they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(c) Members from Private Life - The members from private life shall each receive compensation at the rate of GS-18 when engaged in the performance of duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

STAFF OF THE COMMISSION

Section 7. The Commission shall have power to appoint and fix the compensation of such personnel as it deems advisable withot regard to the provisions of the civil-service laws and the Classification Act of 1923, as amended.

EXPENSES OF THE COMMISSION

Section 8. There is hereby authorized to be appropriated, out of any money in the ttreasury not otherwise appropriated, so much as may be necessary to carry out the provisions of this Act. There is hereby appropriated $2,000,000 which shall remain available during the life of the Commission.

EXPIRATION OF THE COMMISSION

Section 9. One year after the submission to the Congress of the report provided for in section 10(b), the Commission shall cease to exist.

DUTIES OF THE COMMISSION

Section 10. Consistent with the policies in Section 1 the Commission shall have the following duties:

(a) Investigation - The Commission shall study and investigate currently existing human service programs taking into account their accomplishments, failures and opportunities for improvement; the potential application of the priniciples of the New Federalism to human services as recommended by the President; the nature of the changes in human services programs which may be required because of weakness or gaps in existing programs or because of changes in economic or social factors.

(b) Report - Within one year after the Commission commences operation it shall send to the Congress its report including such legislation as it deems necessary to carry out the policies set forth in section 1.

(c) Advice and Assistance - Subsequent to the submission of its report the Commission shall advise and assist the committees of Congress in their consideration of its recommendations

POWERS OF THE COMMISSION

Section 11. (a) Hearings and Sessions - The Commission, or any member thereof, may, for the purposes of carrying out the provisions of this Act, hold such hearings and sit and act at such times and places, and take such testimony, as the Commission or such member may deem advisable. Any member of the Commission may administer oaths or affirmations to witnesses appearing before the Commission or before such member.

(b) Obtaining Official Data - The Commission is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this Act; and each such department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized and directed to furnish such information, suggestions, estimates, and statistics directly to the Commission, upon request made by the Chairman or Vice Chairman.

Senator **Durenberger**. Our final witness is Robert Greenstein, who is the Director of the Center on Budget and Policy Priorities. He was formerly the Administrator of the Food and Nutrition Service for the Carter administration and thus the chief administrator of the food stamp program.

I had the pleasure of meeting Bob yesterday for a 3-hour meeting on the President's New Federalism program. I think the committee is fortunate to have you as a witness. I look forward to your statement.

TESTIMONY OF ROBERT GREENSTEIN, DIRECTOR, CENTER ON BUDGET & POLICY PRIORITIES

Mr. **Greenstein**. Thank you, Mr. Chairman.

In his state of the Union address, the President helped initiate a long overdue national debate on the respective roles of the State and Federal Governments. Certainly from my experience in the Federal Government, I would agree that the current intergovernmental structure is overly cumbersome and in need of reform, and that we very much do need a sorting out process.

My concern is that the administration's particular federalism proposals do not sort out programs along clear, functional or philosophical lines, and devolve some programs to States which need to remain Federal responsibilities while failing to devolve others which probably should be turned over for State administration. The single argument, I think, is in the income security area.

In the years of pioneering work on federalism by the Advisory Council on Intergovernmental Relations and the Governors' Association, there has been a consistent theme that income security should be a fundamental part of the Federal role. There are many reasons for this. Let me just touch on a couple which sometime get less attention: First, as we talked about some yesterday, where income maintenance needs grow during periods of economic turndown, at the same time, State revenue bases contract during these periods, leaving States with a decreasing ability to meet increasing needs.

We hear that with each 1-percent increase in unemployment, Federal unemployment goes up as much as $20 million. In the food stamp program, for example, over 1 million people are added to the program if a 1-percent figure is used; the number of free school lunches goes up.

If income maintenance programs are devolved to the States, the increased government costs that occur during a recession will be shifted from the Federal to the State levels—and the shift will be greatest precisely where State economies and State revenue bases are weakest.

Consequently, State revenue bases are retracting the most and are the weakest. Most States are prohibited from running deficits during recessions. This could put States in a bind between choosing to meet the needs of the newly unemployed, making benefit cuts across the board, cutting other programs, or raising taxes during a recession.

I would note that in the figures used in the federalism proposal by the administration, all the outyear numbers, all those numbers are based on economic assumptions that show unemployment going down every year.

In some ways, they don't look entirely different from the kinds of figures that the Carter administration set out in 1977. I remember how much trouble we got into in the food stamp program because we and CBO used these remarkably optimistic projections on both taxes and unemployment. Every administration seems to do the same thing. When the inevitable downturn in the business cycle occurs, whether it is in 1986 or 1989, or whenever it might next be, there would be added State costs that don't appear in any of the calculations that OMB has come out with today.

The second basic point on maintenance is that the idea that Robert Carlson, among others, continued to advance that States will determine income maintenance needs in a more rational, appropriate fashion, and the Federal Government does not have much basis on the historical record. If one examines AFDC needs standards, which are set by the States, you find a rather crazy-quilt pattern of standards that is rather difficult to justify. For example, the monthly AFDC needs standard is $65 for a family of four in Ohio, but $285 in neighboring Michigan. The standard is $187 in the District, but $118 in Maryland. It is $118 in New Hampshire, but $296 in Vermont; $131 in Kansas and $209 in Nebraska.

The list could go on and on. There really isn't a very rational basis behind those needs standards.

In addition to that, we have the fact that while some States have updated their needs standards in the last year, others have not. Tennessee today uses an AFDC needs standard established in 1969; Arizona, in 1972; Mississippi, in 1971; West Virginia, in 1975; and so forth.

For these, as well as other reasons, the proposed swap is the weakest link in the administration's federalism proposals, and it is likely that under the swap, benefit levels will be eroded substantially over time for many of the poorest citizens in our society.

The history of the past 15 years illustrates rather conclusively that AFDC and food stamp recipients do not fare well when decisions on benefits are made at the State level. In a number of States, especially in the South, AFDC benefits remain extremely low today. In Mississippi, a mother and two children with no other income receive a maximum AFDC benefit of $96 a month—$1,150 a year. In Texas, despite the obvious revenue capacity and the oil revenue, the availability of oil and all that brings into the State economy, a mother and children receive $116 a month. In all but two Southern States, the maximum AFDC payment for a three-person family with no other income falls below $200 a month. A number of States outside the South also maintain low-benefit levels.

The administration has talked of the fact that because of the Voting Rights Act, the reapportionment of State legislatures, and other governmental reforms at the State level, States can manage these programs and are now far more responsive to needs of low-income and minority citizens. I would certainly agree with the first of those two. The State administrative capacity has grown markedly in the last 10 or 15 years. But that is a separate issue from the question of whether States are now more responsive to their poor and minority citizens.

Unfortunately, the facts show that where States make decisions on benefit levels, low-income families are in a worse, not a better, situation than they were a decade ago.

Despite the widely heralded voting rights gains and the reported evolution of attitudes at the State level, AFDC benefits are lower today in real terms than in 1970. HHS data shows that AFDC benefits nationwide declined 24 percent in real terms from 1969 to 1980. Since 1970, only two States have increased AFDC benefits as much as the inflation rate, although over one-half failed to increase benefits over-half as much as the inflation rate.

In testimony before this committee last month, David Stockman stated that criticism that States would not maintain adequate benefit levels was in part a criticism of the South that failed to recognize changes in the South. He noted that in recent years, economic growth in the South has been greater than growth in the Nation as a whole and that this should calm fears that benefits would not be adequate in that part of the country. However, when one gets beyond the theory and looks at the facts, we find that despite this economic growth, the gap between AFDC payments in the South and payments in other parts of the country has actually widened in recent years.

In 1970, the average AFDC payment for a family of four with no income was $322 in the 10 highest payment States, and $113 in the 10 lowest payment States—all but 2 of which were in the South. The gap between these two groups of States was $209. Today, the gap between the average AFDC payments in these same two groups of States has widened 36 percent to $285.

If the two non-Southern States that were "low payment" States in 1970 are removed from the comparison—and we compare all 12 Southern States with the 12 States outside the South that made the highest payments in 1970—the relatively poor performance of the Southern States stands out in even sharper contrast.

In 1970, the average AFDC payment to a family of 4 with no income was $137 in the 12 Southern States and $316 in the 12 highest payment States. That $179 disparity has jumped to $269 a month today.

The AFDC experience is of great concern, because it means that numerous States have kept AFDC benefits extremely low, even when over half of these benefits are federally funded, and when each dollar in State money brings in at least $1 of Federal money.

If AFDC and food stamps are 100-percent State funded—as the administration proposal envisions—and each State dollar spent brings in no additional Federal dollars, then the pressure to shift substantial sums to other State functions with more powerful constituencies may be overwhelming.

The history of the food stamp program in the 1960's is also instructive. At that time, States set their own income allowance for food stamps even though food stamp benefits were entirely federally funded. Many States—especially those in the South—set very low income limits. Back in that period, each State set its own income for food stamps. In the late 1960's, South Carolina's, for example, was not much above 50 percent of the poverty line.

Even more serious, in the late 1960's, several hundred counties could not operate a food stamp program at all. Some of the poorest counties in the country declined to run the program even though the Federal Government paid the full costs of food stamp benefits.

Due in part to this State and local reluctance to mount adequate food assistance efforts, major problems of hunger and malnutrition among the poor were discovered in the late 1960's. In some parts of the South, doctors working with HEW's "Ten State Nutrition Survey" at that time found that low-income children suffering from nutritional deficiency diseases at rates comparable to the rates in some under developed countries. When the same doctors returned to the same areas 10 years late, they found poverty-related malnutrition to have been dramatically reduced and credited the food stamp program as the major reason for this progress, and called the food programs the most successful of all antipoverty programs of recent years.

It is interesting that the most important steps in alleviating the alarming degree of hunger and malnutrition found in the late sixties were taken by President Richard Nixon. It was President Nixon who ended State income limits and benefit levels in the food stamp program, and instituted national standards because he found that State governments were not meeting the need.

There is thus substantial concern about what would happen to benefits and coverage if these income security programs were devolved to the States. One key question, for example, is whether benefits that would substitute for food stamps would keep up with rising food prices.

I think nearly all of us expected, under the swap, nearly all States would "cash out" food stamps. It is unlikely, I think, that the consolidated cash benefits programs that would result and replace AFDC and food stamps would be regularly adjusted by States to keep pace with food costs or with any other measure of inflation.

Most likely, the consolidated cash benefits would fall far behind inflation, just as AFDC grants have in the past decade. It is constructive that there is now not a single State in the country that automatically adjusts AFDC benefits for inflation. This means that as the years go by, low-income families would have less and less to eat as food prices rose.

Troubling questions also arise concerning benefit coverage. If food stamps is ended as a separate program and consolidated into State cash welfare systems, what happens to food stamp recipients who are above their States' AFDC income limits? The changes last year disregard this, which you alluded to earlier. In some States, the income limits are at or below 50 percent of the poverty level. Food stamp benefits for millions of persons, especially the working poor in the 50 to 100 or 130 percent poverty line could be jeopardized.

Equally unclear is what would happen to those types of families and individuals whom States have decline to include in their welfare programs, but who do receive food stamps? Half of the States do not provide cash benefits to two-parent families with children, and numerous States also do not provide benefits to childless couples or single individuals. There is a risk that they could fall through the cracks.

Behind these concerns is the fact that food stamps is the only universal program today.

A final fundamental concern about the swap is that is leaves primary income maintenance responsibilities for the elderly at the Federal level—through social security and SSI—while shifting these responsibilities for poor families and children to the States.

If programs are devolved, food stamps are likely to be broken apart and consolidated with AFDC and SSI State supplements and the link between the elderly and the nonelderly benefit structure will be lost. That probably would not work out well in the long run for low-income families with children. I do not think, however, that the inherent problems with the swap do not mean that the federalism initiative should not be pursued. It means that the swap or the income security approach is not overly attractive.

There are numerous programs which can and should be turned over to the States—and many seriously are not included on the administration's illustrative "turnback" list. The administration's list is limited to several basic categories of programs—education, social services, transportation, and so forth. But there are other categories of grant programs that appear to not have been at least examined.

Yesterday, for example, we talked about support for agricultural land grant colleges and the extension service. It is not clear to me why educational grants would be turned back just because it is under the swap.

Senator **Durenberger**. I am ready to give Tennessee-Tombigbee back to Tennessee, and Arkansas too.

Mr. **Greenstein**. I do notice, at the same time, that there are some categories of programs which ought to remain properly at the

Federal level and perhaps the most important point here is that it includes a number of other income security programs where Federal financing responsibilities should probably be retained, such as school lunch and child nutrition, the WIC program, the energy assistance program, and foster care.

Over 80 percent of the Federal funds in child nutrition programs go to support free or reduced price meals served to low-income children. Federal funds for these programs are provided on an entitlement basis, and so when more children qualify for free meals in a particular State due to layoffs in that State, more Federal funds are provided. Those reimbursements are adjusted to keep pace with inflation.

Energy assistance, simply, is a great income maintenance program. It is run in conjunction in many States with SSI, AFDC, or food stamps. The need for the programs is based on national or international developments over which States have no control, such as deregulation of oil or natural gas, and so forth.

Let me just conclude by saying that I think that the years of work by ACIR and the Governors provide a better starting point for structuring federalism debate than the most hastily constructed administration proposals. We should see income security and related services targeted on the poor and disadvantaged as a Federal role, as well as programs for social groups such as my grants.

At the same time, we should cast the net more broadly and look at many other categories or categorical grants. I think we would find a larger number of programs that probably are appropriate candidates for being turned back to the States.

Thank you.

Senator DURENBERGER. Thank you.

I wanted to just ask you a couple of questions. Your statement, in its entirety, will be included in the record.

On your observations relative to the South, have you any idea what causes low AFDC benefit levels? In the South, could it be attributed to a lack of fiscal resources? And how much could be because of a political climate that doesn't support income assistance programs?

Mr. GREENSTEIN. Both are clearly key. I don't know that I could give a percentage or a ratio that how much of one to the other.

In Mr. Stockman's testimony last month, he had this interesting statement in which he said, "Differences in per capita income aside," and he then went on to say that Alabama spent more on its per capita income than Illinois. I went and looked up the per capita income. It is about 50 percent greater in Illinois than Alabama. You cannot call that aside. I think the problem with that analogy is most of the funds in education don't go to the poor. They go to the middle class. That discussion of fiscal capacity is clearing one issue. The political climate is clearly also a key, because sites like Louisiana and Texas clearly have a very adequate fiscal capacity. Yet their benefit levels—Texas, the second lowest in the country. You can't contribute any of Texas' low benefit level to the lack of fiscal capacity.

Senator DURENBERGER. I don't know if I should agree on the record or not. I do agree with it, however. [Laughter.]

The administration has made a pretty strong argument that differentials in public assistance benefits don't cause migration. We all remember the President's famous statement about voting with your feet. The governors are concerned about this issue of migration, particularly the governors from high-benefit States. That is one of the things which bothers them about the administration's proposal on New Federalism.

How do you come out on the issue of voting with your feet and migration?

Mr. GREENSTEIN. That is a difficult one. I talked over the past month to a few researchers in the field and have gotten different answers.

Some tell you that is especially if the disparities increase, as a lot of people believe they would under the swap, that migration would become more of a factor.

Others think that welfare differentials aren't that large a factor in migration. I think one observation on that is that you don't need much of the migration factor to have a major fiscal impact when the programs are 100 percent State funded.

Today, when there are not that many States funded, it would have less of an impact on the State that did not. A couple of percent impact on the migration could have a major impact on some States.

Senator DURENBERGER. The last question relates to your comments on the swap. Everybody has talked about their objections to the swap portion of the New Federalism. However, nobody has specifically addressed medicaid.

Do you know whether recipients or representatives of medicaid recipients see any benefits to themselves in federalizing medicaid?

Mr. GREENSTEIN. I think there is a very mixed feeling. On the one hand, I think there is a view that, in general, it would probably be desirable to go to a more federalized route, and you asked a question earlier in response to a statement in Mr. Mott's testimony about declines over the past 10 years.

Leonard Hausmenat at Brandeis University has looked at medicaid benefits in real terms and medicaid coverage the last 8 or 10 years because as medicaid costs kept rising, a lot of States kept cutting services.

Over the last 7 or 10 years, there has actually been a real decline in coverage although the costs have gone up.

Obviously, there are concerns that as the elderly population grows, the long-term care needs increase. But States would cut back more and more on low-income families and children.

On the other side of the coin, though, there is great fear, given the Reagan administration's budget cut approach, that the most immediate reaction is one of fear of what would happen if medicaid is federalized in the twin areas of the medically needy and optional services.

When people look at the 1983 budget and see that as a first step, that the medicaid matching rate would be reduced 3 points for the medically needed and optional services, it creates great fears of what would happen under a federalized medicaid program.

I know in your State, I think 31 optional services are offered. It is hard to believe these 31 optional services would remain under a federalized structure.

One final point is that there is fear that the administration will count all of the State medicaid costs project into the out years as State savings under the federalism proposal; that by only picking up a part of medicaid, by cutting back on the optionals, and so forth, that States will have to still spend money on medicaid services.

Then when you get to the other turn back programs, they will be far short and have to undergo additional cuts there. The bottom line on medicaid depends on the specifics of the plan.

I think everyone would hope that any plan the Congress looks at to federalize has some specifics in it that deal in an appropriate fashion with the tax recipients on the area of optional services and medically needed coverage.

Senator **Durenberger**. Maybe one of the reasons why people say, "Yes, it is OK to federalize it," is because they do understand the problems in retrospective reimbursement system and how medicare is forcing costs on States through medicaid system. Maybe one of the reasons they say it is OK to federalize it, is because it is one way of cleaning up our act in terms of getting a more efficient system.

The great problem that lies out there is similar to the one we got into here concerning elementary and secondary education. That is the relationship between State and local governments. So much of health care today is down there at the county level in public and charity hospitals. At least through medicaid you can move patients out of the $400 a day hospitals and place them into $250 or $275 a day hospitals. The direction of this budget-cutting process is just shifting the whole emphasis away from the lower cost hospitals and shoving people more toward the higher cost hospitals—the public and charity hospitals. This impacts on the local tax base for that system.

I just haven't heard much from the counties on this subject. They carry a good part of the load for the health care of this country's needy.

We need to hear more about this area before we can come to any conclusions about the viability of federalizing medicaid.

Mr. **Greenstein**. May I just add that I think it is also difficult to assess proposals of federalized medicaid in the absence of proposals to deal with health care costs in general competition, and so forth.

I think many of us are aware and recognize that the real area of the Federal budget where there is explosion of costs is not at this point, certainly not AFDC or food stamps; it is in medicare and medicaid, not because we are making more people eligible.

There are somewhat less than a few years ago, but the explosion of costs in the health care system. To the degree that the federalism of medicaid could be a broader strategy to deal with the whole health care cost issue, and to deal with it in a way that doesn't take services away from the medically needy and increase work services, that would be very positive.

To the degree federalizing medicaid is on a separate track, that we may or may not ever get anywhere whether it is hospital containment, competition or whatever the stategy is, and that all it leads to is an effort with medical costs by restricting medical coverage and throwing the medically needy back for charity hospitals, as you said, or some other way.

That wouldn't be positive at all. I think it needs to be looked at in that way.

[The prepared statement of Mr. Greenstein follows:]

STATEMENT OF
ROBERT GREENSTEIN
DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES
BEFORE THE
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
MARCH 18, 1982

Mr. Chairman and Members of the Committee:

I am pleased to have this opportunity to appear before you. I am currently director of the Center on Budget and Policy Priorities, a new non-profit research and analysis organization that is supported by foundations and focuses on domestic programs and related fiscal issues. During the previous Administration, I served as Administrator of the Food and Nutrition Service at the U.S. Department of Agriculture, the agency which runs the food stamp, child nutrition, and WIC programs.

In his State of the Union address, the President helped initiate a long overdue national debate on the respective roles of the state and federal governments. I very much agree that the current intergovernmental structure has grown overly cumbersome and is in need of reform. As the Advisory Council on Intergovernmental Relations and the National Governors Association have urged for some time, we need a "sorting out" process to determine which governmental functions should be handled at the federal level, and which should be devolved to state and local levels.

My concern is that the Administration's federalism proposals do not sort out these programs along clear functional or philosophical lines -- and devolve some programs to the states which need to remain federal responsibilities while failing to devolve others which probably should be turned over for state administration. The single largest shortcoming of the Administration proposals is their treatment of income security programs.

INCOME SECURITY

In the years of pioneering work on federalism done by the Advisory Council on Intergovernmental Relations and the National Governors Association, there has been a consistent theme that income security should be a fundamental part of the federal government's role, and that federal involvement in these programs should be enhanced rather than truncated. This same theme emerges from comments by two distinguished former officials from the Nixon and Ford Administrations -- Richard Nathan and Paul O'Neill -- which appear in the winter 1980 issue of Common Sense, the magazine of the Republican National Committee.

There are a number of reasons why the federal government must maintain primary responsibility in the income maintanence area, and many of these have been discussed before this Committee. Let me, at this point, cover just two of these reasons, which may have received less attention:

- First, income maintenance needs grow during periods of economic downturn -- but state revenue bases contract during these periods leaving states with a decreased ability to meet increased needs. The Social Security Act was passed in 1935, with AFDC included as a federally matched program, in part because states were simply unable to meet increased relief needs during the Depression. Today, we are familiar with the fact that each one percent increase in unemployment results in a substantial increase in government costs, primarily at the federal level. Each 1% increase in unemployment adds over 1 million persons to the food stamp program and also increases the number of free school lunches. If income maintenance programs are devolved to the states, the increased government costs that occur during a recession will be shifted from the federal to the state levels -- and the shift will be greatest precisely where state economies and state revenue bases are weakest. In addition, most states are prohibited from running deficits, even during recessions. As a result, if a particular state's economy declined, the state could have to choose between failing to meet the needs of the newly unemployed, cutting benefits across-the-board, cutting other programs, or raising taxes during a recession.

The inevitable swings of the business cycle mean that there will continue to be periodic periods of economic downturn. I see no way to construct a turnback of income maintenance responsibilities that satisfactorily resolves this issue. It is a basic structural reason why income maintenance needs to be one of the roles assigned to the federal government as part of the "sorting out" process.

- Second, the idea that states will determine income maintenance needs in a more rational and appropriate fashion than the federal government has little basis in the historical record. If one examines AFDC needs standards, which are set by the states, one finds a crazy-quilt pattern of standards that is rather difficult to justify. For example, the monthly AFDC needs standard for food is $65 for a family of four in Ohio, but $285 in neighboring Michigan. The standard is $187 in the District of Columbia, but $118 in Maryland. It is $296 in Vermont, but $118 in New Hampshire. Similarly, it is $209 in Nebraska, but $131 in Kansas.

THE "SWAP"

For these (as well as other) reasons, the proposed "AFDC/food stamp/Medicaid swap" is the weakest part of the Administration's proposals. The proposed "swap" poses great risks that over time, benefit levels would be eroded substantially for many of the poorest citizens in our society.

The history of the past 15 years illustrates rather conclusively that AFDC and food stamp recipients do not fare well when decisions on benefits are made at the state level, and would be in particular jeopardy under the Administration proposal. In a number of states -- especially in the South -- AFDC benefits remain extremely low today. In Mississippi, a mother and two children with no other income receive a maximum AFDC grant of $96 a month ($1,150 a year). In Texas, a mother and two children receive $116 a month. In all but two Southern states, the maximum payment for a three person family with no other income falls below $200 a month. A number of states outside the South also maintain low benefit levels.

The Administration has talked of the fact that because of the Voting Rights Act, the reapportionment of state legislatures, and other governmental reforms at the state level, states can manage these programs and are now far more responsive to needs of low income and minority citizens. I would certainly agree that state administrative capacity has grown markedly. But this is a separate issue from the question of whether states are now more responsive to their poor citizens. And unfortunately, the facts show that where states make decisions on benefit levels, low income families are in a worse, not a better, situation than they were a decade ago.

Despite the widely heralded voting-rights gains and the reported evolution of attitudes at the state level, AFDC grants are actually lower today in real dollar terms than they were in 1970. An HHS study found that AFDC benefits nationwide declined 24% (when adjusted for inflation) between 1969 and 1980. Since 1970, only two states have increased AFDC benefits as much as the inflation rate, while over half the states failed to increase benefits to reflect even half of the increase in the cost of living.

In testimony before this Committee last month, OMB director David Stockman stated that criticism that states would not maintain adequate benefit levels was in part a criticism of the South that failed to recognize changes in the South. Stockman noted that in recent years, economic growth in the South has been greater than growth in the nation as a whole, and he stated that this should calm fears that benefits would not be adequate in that part of the country.

Despite this economic growth, however, the gap between AFDC payments in the South and payments in other parts of the country has actually widened in recent years. In 1970, the average AFDC payment for a family of four with no other income was $322 in the ten highest payment states, and $113 in the ten lowest payment states (all but two of which were in the South). The gap between these two groups of states was $209. Today the gap between the average AFDC payments in these same two groups of states has widened to $285 -- a 36% increase in the disparity in AFDC payments.

Moreover, if the two non-Southern states that were "low payment" states in 1970 are removed from the comparison -- and we compare all 12 Southern states with the 12 states that made the highest payments in 1970 -- the relatively poor performance of the Southern states stands out in even sharper contrast. In 1970, the average AFDC payment to an AFDC family of four with no other income was $137 in the 12 Southern states and $316 in the 12 highest payment states. This $179 disparity has jumped to $269 today -- for a 50% increase in the payment gap.

The AFDC experience is of great concern, because it means that numerous states have kept AFDC benefits extremely low even when over half of these benefits are federally funded, and when each dollar in state money brings in at least one dollar in federal money. If AFDC and food stamps are 100% state funded (as the Administration proposal envisions), and each state dollar spent brings in no additional federal dollars, then the pressure to shift substantial sums to other state functions with more powerful constituencies may be overwhelming.

The history of the food stamp program in the 1960's is also instructive. At that time, states set their own income limits for food stamps even though food stamp benefits were entirely federally funded. Many states -- especially those in the South -- set very low income limits. South Carolina's income limit, for example, was not much above 50% of the poverty line.

Even more serious, in the late 1960's, several hundred counties did not operate a food stamp program. Some of the poorest counties in the country declined to run the program even though the federal government paid the full costs of food stamp benefits.

Due in significant part to this state and local reluctance to mount adequate food assistance efforts, major problems of hunger and malnutrition among the poor were discovered in the late 1960's, and shocked the nation at that time. In some parts of the South, doctors working with HEW's "Ten State Nutrition Survey" found that low income children were suffering from nutritional deficiency diseases at rates comparable to the rates in underdeveloped countries. When doctors returned to the same areas ten years later, they found poverty-related malnutrition to have been dramatically reduced. The doctors credited the food stamp program as the major reason for this progress, and called the food programs the most successful of all anti-poverty programs of recent years.

The most important steps in alleviating the alarming degree of hunger and malnutrition found in the 1960's were taken by President Nixon. It was President Nixon who ended state income limits and benefit levels in the food stamp program, and instituted national standards. President Nixon took these steps because state governments were not meeting the need.

There is thus substantial concern about what would happen to benefits and coverage if these income security programs were devolved to the states. One key question is whether benefits that would substitute for food stamps would keep up with rising food prices. Unlike AFDC benefits (which are set by the states and have fallen far behind inflation), food stamp benefits have been regularly adjusted by the federal government to keep pace with the cost of food. This has been done to assure that food stamps continue to provide the same level of food purchasing power.

Under the proposed swap, nearly all states could be expected to "cash out" their food stamp programs. It is unlikely that the consolidated cash benefits programs that would result (and would replace AFDC and food stamps) would be regularly adjusted by states to keep pace with food costs or with any other measure of inflation. Most likely, the consolidated cash benefits would fall far behind inflation, just as AFDC grants have in the past decade. (There is not now a single state in the country that automatically adjusts AFDC benefits for inflation). This means that as the years go by, low income families would probably have less and less to eat.

Troubling questions would also arise regarding benefit coverage. If food stamps is ended as a separate program and consolidated into state cash welfare systems, what will happen to food stamp recipients who are above their states' AFDC income limits (which in some states are at or below 50% of the poverty line)? Benefits for millions of persons, including many of the working poor, could be jeopardized.

It is also unclear what would happen to those types of families and individuals whom states have declined to include in their welfare programs, but who do receive food stamps. Half of the states do not provide cash benefits to two-parent families with children, and numerous states also do not provide benefits to childless couples or single individuals. There is a decided risk that in some states, these individuals and families could lose food stamps and receive nothing in return.

Behind these concerns lies the fact that the food stamp program is the only program in America available to all who are poor, regardless of their age, sex or family composition. In many ways, the food stamp program is the federal government's most basic safety net program. It has been described by some, such as Richard

Nathan and Senator Robert Dole, as the most important social program since Social Security.

Splitting the elderly poor from the non-elderly poor

A final fundamental concern about the swap is that it leaves primary income maintenance responsibilities for the elderly at the federal level (through Social Security and SSI) while shifting these responsibilities for poor families and children to the states. There is little logic in such a distinction, and it is virtually certain to exacerbate the current disparities in our treatment of elderly and non-elderly poor. One of the keys to the strength of the food stamp program is that it does include the elderly in it -- and is the only major income security program to simultaneously cover elderly and non-elderly both. If the program is devolved to the states, and then broken apart and consolidated with existing cash payments such as AFDC and SSI state supplements, the link between the elderly and non-elderly in a single benefit structure will be lost. The non-elderly poor, most of whom are low income children, would be likely to fare badly under such an arrangement.

Towards a meaningful federalism proposal

The inherent problems involved in turning AFDC and food stamps over to the states do not mean, however, that the federalism initiative should not be pursued. There are numerous programs which can and should be turned over to the states -- and many of these are programs not included on the Administration's illustrative "turnback" list. The Administration's list is limited to several basic categories of programs -- education, social services, transportation, etc. However, there are other categories of categorical grant programs that should be closely examined as potential candidates for turnback to the states.

In the Department of Agriculture where I formerly worked, for example, there are grant programs to help support agricultural land-grant colleges as well as programs to help fund nutrition education and other services through the Extension

Service. If basic education grant programs currently under the Department of Education are to be turned back to the states, why should not these USDA programs be handled similarly? A broader net could be cast, and programs in other areas explored as candidates for devolution.

At the same time, there are some categories of programs on the Administration's turnback list which ought more properly to remain at the federal level. The Administration's illustrative "turnback" list includes a number of income security programs where the federal financing responsibilities should probably be retained -- school lunch and child nutrition, the WIC program, the energy assistance program, and foster care.

Over 80% of the federal funds in child nutrition programs go to support free or reduced price meals served to low income children. Federal funds for these programs are provided on an entitlement basis, and so when more children qualify for free meals in a particular state due to lay-offs in that state, more federal funds are provided. The federal reimbursements are regularly adjusted to keep pace with inflation. The child nutrition programs are basically rather classic income security programs.

The low income energy assistance program is another program that is clearly an income maintenance program, and in many states it is run in conjunction with programs such as SSI, AFDC, or food stamps. The idea of turning the energy assistance program back to the states seems especially inappropriate since the relative need for the program is based on national and international developments and policy decisions (deregulation of oil or natural gas, OPEC price decisions) over which states have no control. The energy assistance program was initially created as a part of federal policy initiatives to deregulate oil, and the program needs to be able to be adjusted in conformance with future directions in national energy policy. If the energy assistance program were turned back to the states and energy prices rose again sharply in the future, few states would have the ability to raise revenues to meet the need. The northern states where increased energy assistance needs would be greatest generally do not have energy sources on which they could impose severance taxes.

The energy assistance program is now a block grant with broad state flexibility and relatively few categorical restrictions. The current federal-state relationships in this program seem appropriate.

There is also serious question about devolving selected services programs that are targeted on low income individuals and families. Some of the same Southern states that maintain low AFDC payments also failed to satisfy the full state matching requirement under the old Title XX program; there are reasons to be concerned that services targeted to the poor and minorities could suffer in the competition for state dollars if these programs are devolved.

Similarly, there is some cause for concern that preventive health programs directed at low income families could suffer if these programs are turned back to the states -- especially if the fiscal consequences of failing to provide adequate preventive health services are largely shifted to the federal level through the federalization of Medicaid.

There would also be great risk that the legal services program would simply disappear in some areas if it were turned back to the states. A turnback here seems especially unnecessary. While the Legal Services Corporation is funded by Congress, control of actual legal services programs is already located at the local level. Each of the 323 separate local programs is required to be run by a board of directors, 60% of whom must be members of the local bar, and an additional one-third of whom must be local low income citizens. The local board sets priorities for each program, and there are few federal categorical restrictions. As a result, there is substantial diversity in the types of legal services programs throughout the country. Some rely entirely on staff attorneys, others rely heavily on pro bono participation by the private bar, while still others use private lawyers who are reimbursed for their services.

Finally, special attention should be given to migrant farmworkers and other special populations such as Indians. The National Governors Association has urged that programs for these groups remain at the federal level. Migrants move across state lines with the migrant stream and are not seen by any one state as their responsibility. They have virtually no political base in the states through which they pass. If the migrant health program were turned over to the states as the Administration has proposed, there is a risk that migrant health care would become uneven from state to state -- and that if one state downgraded migrant health services, the next state on the migrant stream could end up with an increased load. There is also concern that the current federally supported system for transmitting medical information and migrant medical records across state lines to migrant health clinics in various states would be lost.

Conclusion

Where does this leave us? We should not be discouraged by the complexities involved in the important task of sorting out state and federal roles. But I do think that the years of work in this field by ACIR and the Governors provide a better starting point for structuring federalism proposals than do the rather hastily constructed Administration proposals. We should see income security (and probably related services that are targeted on the poor and disadvantaged) as a federal role. There also needs to be a primary federal role in programs for special population groups, including migrants and Indians.

At the same time, we should open up for examination the scores of categorical grant programs left out of the Administration's proposal and determine whether some of them should not be returned to state control. While a great deal of careful work needs to be done to craft a sound federalism proposal that will be beneficial for program recipients, taxpayers, and state and local governments, the task is one that clearly should proceed.

Senator **Durenberger**. Thank you very much for your testimony and your responses.

The hearing is adjourned.

[Whereupon, at 11:50 a.m., the committee recessed, to reconvene at the call of the Chair.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

American Federation of Labor and Congress of Industrial Organizations

815 Sixteenth Street, N.W.
Washington, D.C. 20006
(202) 637-5000

EXECUTIVE COUNCIL

LANE KIRKLAND PRESIDENT
THOMAS R. DONAHUE SECRETARY-TREASURER

John H. Lyons
S. Frank Raftery
Albert Shanker
Edward T. Hanley
J. C. Turner
Kenneth T. Blaylock
William H. Wynn
Wayne E. Glenn
Joyce D. Miller
Frank Drozak
Richard I. Kilroy

Thomas W. Gleason
Martin J. Ward
Glenn E. Watts
Angelo Fosco
Lloyd McBride
Alvin E. Heaps
John J. O'Donnell
Robert F. Goss
John J. Sweeney
James E. Hatfield
Vincent R. Sombrotto

Frederick O'Neal
Murray H. Finley
Sol C. Chaikin
Charles H. Pillard
David J. Fitzmaurice
Wm. W. Winpisinger
John DeConcini
William Konyha
Douglas A. Fraser
Barbara Hutchinson
Gerald W. McEntee

March 16, 1982

Honorable William Roth, Chairman
Governmental Affairs Committee
3308 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Roth:

By your permission, the American Federation of Labor and Congress of Industrial Organization (AFL-CIO) hereby submits the attached statement, its views to be added in its entirety to the record of the committee on Governmental Affairs, March 18, 1982 hearings on the President's New Federalism proposals.

We appreciate this opportunity to express our views.

Sincerely,

Ray Denison

Ray Denison, Director
DEPARTMENT OF LEGISLATION

Enclosure

Statement by the AFL-CIO Executive Council

on

New Federalism

February 18, 1982
Bal Harbour, Fla.

The President's proposal for a "new federalism" would turn the nation's back on its historic resolve in the words of the Constitution more than 200 years ago: "to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common Defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity."

The "new federalism" would cripple facilities and services on which all Americans depend and jeopardize the health and welfare of millions of the poor and the disadvantaged.

It would shift responsibility to the states for a host of federal programs established by Congress to meet recognized national needs. This ill-considered proposal would transfer to the states 43 programs in education, community development, transportation, health and social services.

Until 1987, a trust fund made up of revenues from a number of federal excise taxes would partially finance these programs, and even that fund would decline 25 percent each year and be phased out completely by fiscal year 1991. Any subsequent financing of such programs would have to come solely from state funds.

By October 1, 1982, the states would be free to cut or even eliminate altogether the programs transferred to them.

This Republican proposal would shift the tax burden for these programs from the federal government to the states and their taxpayers. Since the states have traditionally relied on regressive taxes for their revenues, the greatest burden would fall on low- and middle-income taxpayers.

The proposal also calls for a complicated swap involving assignment to the states of the two major welfare programs, Aid to Families with Dependent Children (AFDC) and Food Stamps, while the federal government would take over complete control of Medicaid, the medical assistance for the poor.

Examination of the proposal reveals that it is inherently stacked against the best interests of the nation.

- Many federal protections for workers, such as the prevailing wage laws (Davis-Bacon, and Urban Mass Transit, etc.), safety laws (OSHA), and minimum wage laws (FLSA), would be eliminated for the workers engaged in these defederalized activities as these federal laws do not apply to state employers.
- Contrary to the Administration's claim of an even swap between the federal government and the states, under reasonable and consistent assumptions, every state will be a financial loser if programs are maintained at current levels. To minimize estimated state costs, the Administration's figures do not factor in inflation but do factor in proposed cuts in the cost of the 43 programs to be turned back to the states. Also, to minimize the estimated cost to the states, the proposal assumes enactment of Administration-proposed cuts in fiscal 1983 in AFDC and Food Stamps programs to be taken over by the states in fiscal 1984. On the other hand, to maximize the estimated costs to the federal government, the proposal does not assume the Administration's proposed cuts in Medicaid, which under the proposal would be entirely federally funded in fiscal 1984. Using consistent estimates, the total loss to the states would be $17 to $20 billion or more in fiscal year 1984 and at least $86 billion in fiscal year 1991 when the trust fund runs out. With such added costs, the states would be under tremendous pressure to slash funds for the programs they would be expected to take over. Some would undoubtedly be cut out altogether.

- One of the major funding sources for the transition trust fund is the oil industry windfall profits tax. Once trust fund payments end, non-oil producing states would have no access to oil revenues.
- Since Medicaid services and eligibility rules now vary greatly among the states, the exact impact on the poor and elderly is not clear. But the fiscal 1983 budget would slash the program in advance of the transfer to complete federal control. After that, the current budget-focused Administration could be expected to reduce services still further for the majority of Medicaid recipients. In many states, especially the poorest states with the most abysmal welfare levels, the meager incomes of the poor would be still further slashed as these states are required to meet all AFDC and Food Stamp costs out of their own funds.

Federal responsibility for all these programs reflects a national consensus that all Americans, regardless of the state in which they live, have the right to certain minimum services and benefits. Only nationally established standards can assure that essential programs are available to the entire country. Congress asserted national responsibility for these programs in the first place because the states were unwilling or unable to meet these obligations. But if the federal government shucks off these fundamental responsibilities to the states, there is no more guarantee today than in the past that they can or will properly discharge them. Education, transportation and community development will surely suffer. The existing disparity in the treatment of the poor and disadvantaged will widen.

The President's proposal is an ill-conceived scheme to reduce anticipated huge federal budget deficits while neglecting the nation's most fundamental needs. It would shift huge costs to state and local governments. It does not address the real and most pressing problems the nation faces -- massive unemployment, a huge tax giveaway to the rich, runaway interest rates and a depressed, stagnant and inflation-prone economy.

The AFL-CIO will do all in our power to preserve the Constitutional obligation of the federal government for assuring all Americans, wherever they reside, of an opportunity for a decent level of living. We reject President Reagan's cynical advice that people can adjust to his new program by "voting with their feet" and moving to another state. This would further aggravate differentials and impose additional burdens on the states which have been more generous.

We will do all within our power to oppose the President's "new federalism" proposal which would cripple or entirely dismantle services and programs essential to the well-being of every American.

The AFL-CIO strongly opposes the New Federalism and we will not let it divert us from the more serious and immediate problems of Reaganomics.

###

NOTE: Factsheet

FACT SHEET ON NEW FEDERALISM

PRESIDENT REAGAN'S NEW FEDERALISM: EVERY STATE A LOSER

(Figures in Millions of Dollars in FY 1984)

	– TURNBACK PROGRAM –			– SWAP PROGRAM –			
	Trust fund allocation [1]	Turnback programs[2]	Net difference[3]	Medicaid savings[4]	Public assistance cost[5]	Net difference[6]	Total Cost to States in FY '84 [7]
Ala.	$ 713	$ 725	$ –12	$ 140	$ 431	$ –291	$ –303
Alaska	188	239	–51	32	65	–33	–84
Ariz.	463	441	22	0	194	–194	–172
Ark.	345	441	–96	137	215	–78	–174
Calif.	2,144	3,804	–1,660	2,524	2,503	21	–1,639
Colo.	331	516	–185	161	165	–4	–189
Conn.	283	562	–279	277	208	69	–210
Del.	107	152	–45	38	49	–11	–56
D.C.	333	562	–229	141	104	37	–192
Fla.	1,433	1,661	–228	348	774	–426	–654
Ga.	819	972	–153	285	531	–246	–399
Hawaii	145	192	–47	94	130	–36	–83
Idaho	151	189	–38	31	63	–32	–70
Ill.	1,547	2,257	–710	857	1,033	–176	–886
Ind.	552	882	–330	336	339	–3	–333
Iowa	330	513	–183	166	173	–7	–190
Kan.	225	392	–167	141	116	–27	–140
Ky.	690	734	–44	186	453	–281	–325
La.	634	813	–179	309	467	–158	–337
Ma.	240	316	–76	81	126	–45	–121
Md.	507	816	–309	342	349	–7	–316
Mass.	732	1,417	–685	669	515	154	–531
Mich.	1,147	1,710	–563	914	1,078	–164	–727
Minn.	236	771	–535	501	249	252	–283
Miss.	563	546	17	109	361	–252	–235
Mo.	700	1,940	–240	247	365	–118	–358
Mont.	128	190	–62	43	48	–5	–67
Neb.	185	291	–106	77	74	3	–103
Nev.	58	140	–82	70	37	33	–49
N.H.	110	182	–72	57	49	8	–64
N.J.	907	1,497	–590	557	525	32	–558
N.M.	251	271	–20	57	148	–91	–111
N.Y.	789	4,496	–3,707	4,002	2,063	1,939	–1,768
N.C.	820	1,041	–221	277	462	–185	–406
N.D.	83	154	–71	45	25	20	–51
Ohio	1,406	1,925	–519	744	1,005	–261	–780
Okla.	249	479	–230	228	180	48	–182
Ore.	393	513	–120	128	203	–75	–195
Pa.	1,658	2,523	–865	967	1,079	–112	–977
R.I.	124	203	–79	95	96	–1	–80
S.C.	553	575	–22	128	348	–220	–242
S.D.	124	177	–53	32	41	–9	–62
Tenn.	702	818	–116	267	494	–227	–343
Tex.	1,352	2,102	–750	833	895	–62	–812
Utah	182	264	–82	61	74	–13	–95
Vt.	118	140	–22	32	65	–33	–55
Va.	617	835	–218	250	355	–105	–323
Wash.	493	724	–232	248	296	–48	–280
W.Va.	429	487	–58	65	192	–127	–185
Wis.	235	825	–590	633	365	268	–322
Wyo.	75	111	–36	17	17	0	–36
TOTAL	**$27,600**	**$43,538**	**$–15,938**	**$18,976**	**$20,200**	**$ –1,225**	**$–17,151**

Compiled by the American Federation of State, County & Municipal Employees

NOTES ON THE "NEW FEDERALISM" TABLE

This table shows that President Reagan's New Federalism would cost states over $17 billion in FY84. It corrects inconsistencies and mistaken assumptions made in a similar table published by the White House which purports to show that the Reagan program is a "wash" for states in fiscal year 1984.

1. This column reflects White House estimates of the revenue that states will receive from the new "Federalism Trust Fund" to be set up under President Reagan's proposal.

2. White House state-by-state estimates adjusted upwards by 44.2% to reflect the true FY 84 cost to the states of maintaining FY82 levels of service under the turnback programs. The New York State Washington office has reported that the turnback programs cost $37.5 billion in FY82. Adjusting for inflation based on the latest economic forecast by DRI (CPI increase = 7.8% in FY83 and 7.7% in FY84) gives a FY 84 current service cost of $43.538 billion. $43.538 billion is 44.2% greater than the White House cost assumption of $30.194 billion.

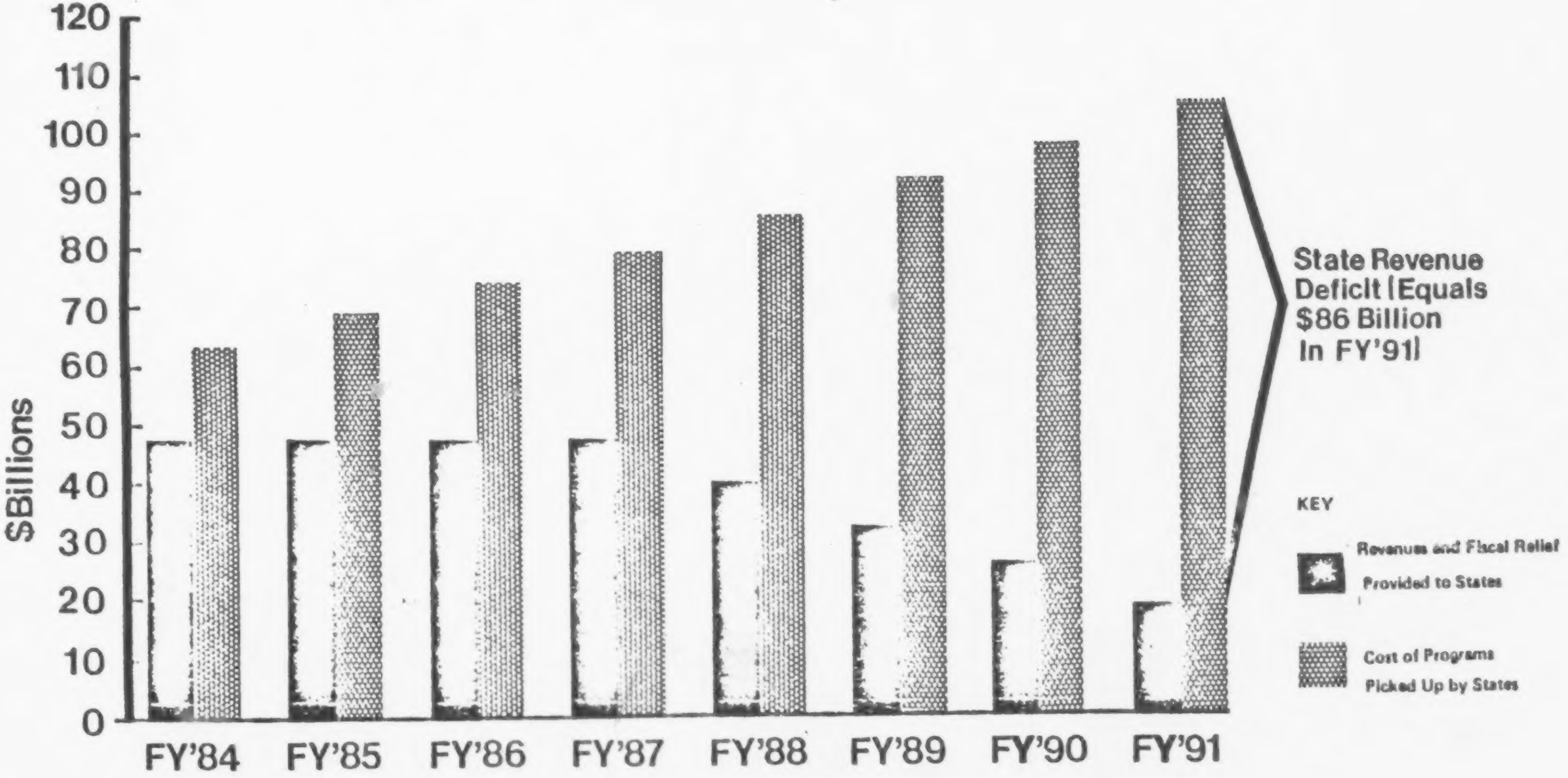
3. After adjustments, the net difference between the turnback program costs and the trust fund allocations are considerably larger than the White House projects.

4. OMB estimates of the state cost savings from federalization of Medicaid. (The original White House version of the chart is internally inconsistent in that its cost estimates for the turnback, AFDC & Food Stamp programs assume enactment of the Administration's further cuts in FY83 while its Medicaid estimates ignore these cuts. AFSCME's chart corrects this error by stating all figures on a consistent current-services basis.)

5. White House state-by-state estimates adjusted upwards by 23.3% to reflect the true FY84 cost to the states of maintaining FY 82 levels of service under the AFDC and Food Stamp programs. The Administration's cost figure of $16.382 billion understates this cost because it assumes enactment of new FY 83 Administration cuts in these programs. OMB reports that without these cuts (that is on an FY82 current services basis) these programs would cost the states $20.200 billion in FY84.

6. Again, after corrections, the net effect of the swap program is much more unfavorable to the states than the White House suggests.

7. The real total costs to the states in FY84 is shown in the last column. Far from being "held harmless" by New Federalism, the states will be faced with a loss of over $17 billion in federal aid in the first year of the Reagan program. Moreover, every state in the nation will be a loser.



COST TO STATES OF THE ADMINISTRATION'S NEW FEDERALISM
FY 84-91

NOTES ON THE "NEW FEDERALISM" BAR GRAPH

The AFSCME bar graph shows that the net cost to state and local governments of Reagan's New Federalism will shoot up from $17 billion in FY '84 to $86 billion in FY '91.

For each fiscal year the left-hand bar represents new state costs -- for AFDC, Food Stamps and the 43 other programs turned back to the states by the Federal Government. The FY '84 current services costs for the programs are OMB data. Using the inflation projections in the Fall 1981 Data Resources Incorporated Long-Term Economic Forecast, AFSCME projected the current services costs of these programs out to FY '91. (The average inflation rate projected by DRI for this period is 7.3%.)

The right-hand bar for each year shows the fiscal relief and new revenues provided by the feds to the states. This consists of: (1) revenues from the "Federalism Trust Fund" (which totals $28 billion for FY '84-FY '86, and then drops off to $0 by FY '91) and (2) decreased state Medicaid costs. Because the Administration has explicitly stated its intent to hold federalized Medicaid spending below current services levels, the fiscal relief to states will not be as high as the full current services costs projected by OMB. Our graph makes the assumption that the Administration holds federal Medicaid spending constant from FY '84 on.

The difference between the costs and revenues turned over to the states represents the state revenue deficit caused by the Reagan federalism program. To fill this gap, states would have to slash services or sharply boost taxes.

Table and bar graph by the American Federation of State, County & Municipal Employees, AFL-CIO, February 2, 1982

BIENNIAL CONVENTION
GROSSINGER'S, N.Y., APRIL 25 - 28, 1982 ISRAEL, APRIL 28 - MAY 6, 1982
AMERICAN JEWISH CONGRESS
STEPHEN WISE CONGRESS HOUSE · 15 EAST 84TH STREET · NEW YORK, N. Y. 10028 · (212) 879-4500

March 29, 1982

Hon. William V. Roth, Jr.
Chairman
Senate Committee on Governmental Affairs
3306 Dirksen
Washington, D. C. 20510

Dear Senator Roth:

The Senate Committee on Governmental affairs recently held a series of hearings on "The New Federalism." I am enclosing a copy of AJCongress' statement which we would like to have included in the Record of the Public Hearings.

In brief, our statement opposes the major thrusts of the President's recommendations. We believe that the proposed program swap and Federal Trust Fund will ultimately prove harmful to the poor; that block grants are inferior to categoric grants as a vehicle for providing Federal assistance to the states and localities; and that it is entirely unrealistic to expect the private sector to make up for more than a very small percentage of the proposed cuts in Federal dollars.

Thank you for the opportunity to allow our statement to be included in the Public Record.

Sincerely,
Jeffrey Cohen
Jeffrey Cohen
Michael A. Pelavin
Michael A. Pelavin
Co-Chairmen
Commission on Urban Affairs

NATIONAL OFFICERS

HOWARD M. SQUADRON, President
JACQUELINE K. LEVINE, Chair, Governing Council
Co-Chairmen, Governing Council
PAUL S. BERGER, JACK M. ELKIN
ALVIN GRAY
ABRAHAM NOWICK, Treasurer
BERNARD MADOFF, Co-Treasurer
JOSEPH GEROFSKY, Secretary
HAROLD BECKER, Corresponding Secretary
HENRY SIEGMAN, Executive Director
PHIL BAUM, Associate Executive Director
ESTHER H. KOLATCH, Assistant Executive Director
WILL MASLOW, General Counsel

THEODORE BIKEL LEONA F. CHANIN ABRAHAM GOLDSTEIN
STANLEY H. LOWELL THEODORE R. MANN
HENRY ROSOVSKY HOWARD SAMUELS
Senior Vice Presidents

Vice Presidents
JO AMER, Hewlett Bay Park, L.I.
DAVID BARLAS, Queens, N.Y.
MARTIN BEGUN, New York
BARBARA CULLEN, Newton Centre, Mass.
EDITH FRANK, Farmington Hills, Mich.
JOEL GARVER, Cleveland
MOLLIE GERSH, Miami Beach
MURRAY A. GORDON, New York
CHIAE HERZIG, Baltimore
FRANK HORNY, Los Angeles
LILA HORWITZ, W. Orange, N.J.
DAVID KAHN, Chicago
SYLVIA KAPLAN, Miami Beach
RALPH KINGSLEY, Miami Beach
JOEL H. LEVY, Washington, D.C.
AMRAM NOWAK, New York
WALTER ROTH, Chicago
ALAN SHECTER, Baltimore
ARTHUR SUSSWEIN, Great Neck, N.Y.
MARION WILEN, Philadelphia
FRANK WINSTON, San Francisco, Cal.
JUDITH L. WOLF, Newton, Mass.
LOUIS E. YAVNER, New York

Honorary Presidents
ISRAEL GOLSTEIN, Jerusalem
ARTHUR HERTZBERG, Englewood, N.J.
ARTHUR J. LELYVELD, Cleveland
JOACHIM PRINZ, Orange, N.J.

Honorary Vice Presidents
PAUL G. ANNES, Chicago
BENJAMIN S. KALNICK, Kings Point, N.Y.
MAX A. KOPSTEIN, Chicago
LEON KRONISH, Miami Beach
ESTHER POLEN, Philadelphia
HARRY SCHACTER, Bedford Hills, N.Y.
VIRGINIA SNITOW, Scarsdale, N.Y.
LILLIAN STEINBERG, Brooklyn, N.Y.

Honorary Co-Chairman, Governing Council
MORRIS MICHELSON, Boston
Honorary Treasurer
BENJAMIN M. HALPERN, W. New York, N.J.

STATEMENT

of the

AMERICAN JEWISH CONGRESS

for the record of the

Public Hearings

on

THE NEW FEDERALISM

presented to the

Committee on Governmental Affairs

of the

United States Senate

Introduction

In the last year, President Ronald Reagan has often discussed his intention to establish a "New Federalism." While all of the details of his proposal have not been spelled out in legislation, its major thrust is to shift power, authority, and responsibility from Washington to the state and local governments.

AJCongress, a national organization of American Jews, welcomes this opportunity to present its views on the "New Federalism." Our concern is with three of the major and interrelated components of the proposed realignment. These are the swap in programs operated by the state and Federal governments and the establishment of the Federal Trust Fund; the consolidation of categoric programs into block grants; and the increased reliance on the private sector to make up for the budget cuts.

Program Swap and Trust Fund

The Medicaid/Public Assistance and Food Stamp swap would give the Federal government responsibility, beginning in 1984, for funding and operating Medicaid. In turn, the states would assume responsibility for Food Stamps, Aid to Families with Dependent Children and many smaller Federal programs. A Federal Trust Fund, funded by Federal excise and oil windfall profits taxes, would provide the states with temporary assistance to help them meet their new obligations. Beginning in 1991, the Federal taxes would be eliminated and the states could choose to impose them.

AJCongress is opposed to these changes. Our basic fear is that ultimately they would prove harmful to the poor and near-poor.

More specific objections are as follows:

1. The cost implications of the proposals are not clear - The Office of Management and Budget estimates 1984 AFDC and Food Stamp costs (to be funded by the states and local governments) at $16.4 billion. The Congressional Budget Office calculates them at $4.2 billion higher. Moreover, the President's promises of no "winners or losers" in the swap are predicated on the Federal costs in 1984 after a series of 1983 budget cuts in welfare and Food Stamps (if these cuts are not enacted, the states would end up losing $1

to $2 billion). For the 61 programs for which the states would become responsible, the estimated Federal revenue of $30.2 billion in 1984 is nearly $7 billion less than the current budget authority. This will leave states with less money to provide the level of services offered in 1982, while the states' constituents continue to demand them.

2. The Trust Fund revenue is temporary - After 1991, the states will be able to support these functions only by substituting their own taxes for the phased out Federal taxes. However, the 60 percent of the Trust Fund, which comes from the "windfall profits" on oil, only produces significant income in six or seven states. All other states would be forced to rely on taxes they impose in place of the Federal excise taxes (on, for example, liquor, tobacco and gasoline). A major problem with this is that since these are "unit taxes," the revenue they produce is stable while the programs, they would be asked to support, are large and growing.

3. The President's proposals would not compensate states for fiscal disparities - The interest and ability to raise money varies from state-to-state. The needy, in the wealthier and more generous states, would be better off because of their states' ability and interest in supplementing Federal funds. For example, unless there is a state -

supplement, it is hard to believe that a Federally funded Medicaid program in New York State would provide the current level of services. While such a supplement is likely in some states, in others it is not.

4. Local concerns - Mayors and county executives have much to be concerned about since they lack the taxing flexibility of the states and would have to depend on them for authority to raise money. Cities and counties would face a period of great uncertainty since they would not be guaranteed their current level of funding.

5. The needy would be faced with great uncertainties - The plan would force them to rely on state and local governments to provide services. Yet, for the needy, who almost by definition lack political clout, there is no assurance that the services they need will continue.

In fact, this last point brings us to what we fear is the major goal of the New Federalism. As we pointed out in our recent resolution on this subject, we do not believe that the New Federalism is "designed to loosen local creativity from the constraints of Federal restrictions. It is in fact a political device to shift the blame from the Federal government to local officials for further Federal budget cutting."

Poverty is a national issue. The Federal welfare programs were, in part, a recognition of this. Returning these programs to the states will not solve the problem of poverty. To the contrary, it will only make the achievement of a solution more difficult.

The President was right when he discussed people "voting with their feet." The enactment of his proposals would cause the poor to move to the more generous states.

Block Grants

Last year, at the President's urging, seven new block grants, combining dozens of categorical programs, were established and two other block grants were expanded. For 1983, the President proposes the creation of seven new block grants and the expansion of three others. The new block grants would fund handicapped education, child welfare, welfare administration, rehabilitation services, rental rehabilitation, employment and training, and vocational and child education. The expanded block grants would be in the areas of primary health care, energy assistance, and services for women, infants and children.

AJCongress is opposed to the increased use of block grants to provide Federal financial assistance to states and localities. Besides the lower Federal funding that accompanies block grants, we also oppose them for the following reasons:

1. Increased Intergroup Competition - By eliminating categoric grants and placing monies for a number of programs in a block grant, ethnic and racial groups would be forced to compete with each other for a share of funds for services that are important to them. This competition will inevitably lead to both hostility and a feeling that a gain for one group is a loss for a second. Ultimately, this will do much to destroy the progress made in the

last generation in breaking down barriers between groups.

2. Increased Programmatic Competition - Block grants would also increase competition between programs. For example, should funding be allocated to rehabilitation services for youth or the elderly; or, for the blind or the non-ambulatory?

3. The Needy Will Lose Out - The needy in our society possess the least political clout. In the struggle for a share of block grants, they will be least effective in acquiring government resources aimed at their particular needs.

4. Cutbacks In State Funding - States will be sorely tempted to cut their own spending and make up for it with funds available under block grants. Unless a "maintenance of effort" provision is included, this will lead to Federal assistance supplanting rather than supplementing state funds and a diminution of the total resources committed to resolving particular problems.

5. Administrative Costs - The purported savings in administrative costs may prove to be ephemeral. It is likely that channeling block grants through states, will require states either to establish new bureaucracies or to expand existing ones.

6. Inefficient Expenditure Of Funds - Since states and local governments will not be required to provide evaluations of the manner in which they spend Federal monies as comprehensive as is now the case, it is likely that more monies will be wasted through inefficient operations.

7. Review Requirements - The role of Congressional Committees in making important decisions on the nature of Federal assistance programs would be considerably lessened. The enforcement of Federal regulations and standards in civil rights, equal access to services, equal employment and labor standards may be undermined.

8. Will Block Grants Be Closer To The People? - Proponents of block grants argue that it is desirable to make decisions on expenditures at the state level since it is "closer to the people." While this was probably so in an earlier age of limited communications and when most of our population resided in rural areas, it is not necessarily the case today. Also, if closeness to government is measured by voter turnouts, more people vote in national than local elections.

In addition to these arguments, it must be recalled that categoric grants were instituted as a means of allowing Congress and the President to formulate national objectives to be cooperatively implemented by Federal, state and local governments. They are national responses to problems found throughout America, problems which could not be resolved by individual states.

With the increased interdependence of our economy, including our transportation and communications systems, our agenda is today more national than ever before. When one adds to this the mobility of our population and the varying ability of our states and localities to support programs aimed at resolving problems, it becomes clear to us that uniform rules of participation, eligibility and funding are needed. For these reasons, categoric programs are as important today as ever.

The Private Sector

In his State of the Union Message, the President called on private groups to replace the government in funding and operating many social programs. We believe that it is unrealistic to expect the private sector to fill more than a small fraction of the void left by Federal budget cuts.

Even if each of the components of philanthropy, which last year totaled $47.5 billion, were to increase by a uniform 10 percent, less than $5 billion would be added to the amount collected. This figure, nearly one-half of which would go to churches and synagogues, would not come close to making up for the shortfall in Federal dollars.

Recently, attention has been focused on corporations; it has been suggested that they increase their contributions to make up for the loss in Federal dollars. However, according to the Independent Sector, present corporate donations of $2.55 billion annually comprise only five percent of all philanthropy, and the typical corporation contributes less than one percent of its profits.

There is great resistance, within most coporations, to substantially increasing their contributions. The Conference Board's survey, of 427 of America's largest corporations which are responsible for the bulk of corporate giving, indicated that only six percent of these corporations planned on increasing their contributions to make up for the loss of Federal dollars.

This is not a surprising finding. A February 2, 1982 article in the Wall Street Journal summarized a common attitude: "The Business of Business Isn't Charity." Moreover, the Conference Board, according to a January 28, 1982 Washington Post story, quotes a corporate executive as stating, "Our company supported the President because we believed in the elimination of a number of these programs. Naturally we're not too enthused about continuing the programs and shifting the burden to the corporate sector."

Turning from financial contributions to donations of time, there is little potential for a substantial increase in voluntarism to perform jobs which were previously paid positions. The traditional volunteer was a woman who was not in the workforce. However, in the last two generations the percentage of women employed has substantially increased. When this is combined with the fact that more than 50 percent of the population already donate time (only one-fifth, donate as much as a day a week), it becomes clear that the pool for voluntary labor is quite limited.

Thus, we are left in a position in which the Administration has proposed substantial budget cuts, while suggesting that these cuts be made up through volunteer efforts and increased charitable giving. While the importance of these efforts in existing programs cannot be overestimated, it is clear that they would not be able to come close to replacing Federal financial support.

Conclusion

In conclusion, AJCongress is opposed to the major thrusts of the New Federalism. We believe that the proposed program swap and Federal Trust Fund will ultimately prove to be harmful to the poor; that block grants are inferior to categoric grants as a vehicle to provide Federal assistance to the states and localities; and, that it is entirely unrealistic to expect the private sector to make up for more than a very small percentage of the proposed cuts in Federal dollars.

The Senate Committee on Governmental Affairs is urged to carefully consider our views in developing its position on the President's proposals.

Submitted by:

Jeffrey Cohen
Michael A. Pelavin
Co-Chairmen
Commission on Urban Affairs

Technical Consultant:
Martin Hochbaum, Director
Commission on Urban Affairs

STATEMENT OF ROBERT C. BROWN

Before the Committee on Governmental Affairs
United States Senate
March 16, 1982

I appreciate the opportunity to appear before the Senate Committee on Governmental Affairs as you begin hearings on the New Federalism Program proposed by President Ronald Reagan. I do so as Executive Vice President of the Tax Foundation, Incorporated, a nonprofit, nonpartisan research and public education organization founded in 1937 to monitor tax and fiscal activities at all levels of government. The Foundation's purpose, characterized by the motto, "Toward Better Government Through Citizen Understanding," is to aid in the development of more efficient and economical government. It also serves as a national information agency for individuals and organizations concerned with problems of government expenditures, taxation, and debt.

The foregoing is not intended as a commercial. It is to show the orientation I bring to the subject you are discussing today. Our job at the Foundation is to look at the policy options and work out the tax and fiscal implications of those options. We set forth the alternatives. Others advocate specific legislative solutions. That is as it should be.

Having said that, let me proceed to our assessment of the major points raised by the distinguished Chairman of this Committee in his letter inviting us to testify. For the sake of convenience, I have divided those points into seven questions which seem to cover all the bases. If not, I would be happy to answer any additional questions raised by members of this Committee after I have completed my testimony. Now for the points outlined by Senator Roth:

1. Will the states have the ability to assume the Federal excise taxes the President proposes to turn over to the states?

My answer to this question is short and simple: Yes, the states have the ability to assume and administer the excise taxes which the President proposes to turn over to them. The mechanisms are already in place for collecting excise taxes on such items as gasoline, tobacco and alcohol, among others, and these structures could certainly be adapted to the expanded revenue sources envisioned under the New Federalism. It is important to remember that, historically, excise taxes have been more traditionally a source of state revenues, rather than of Federal revenues.

2. What is the comparative reliance of state and local governments and the Federal government on excise tax sources?

Let me begin with a broad definition of what I mean by excise taxes. By this term, I understand "selective sales and gross receipts taxes." Such revenue sources account for a small, and for the most part a declining, share of tax revenues for both the Federal and the state-local governments. I refer you to Exhibit 1, which accompanies the text of my testimony. In fiscal year 1980, the latest for which official data are available for all levels of government on a comparable basis, excise taxes accounted for 5.0 percent of Federal tax revenues and for 12.2 percent of state-local tax revenues. Current data indicate that the Federal share was 6.8 percent in 1981, and is estimated at 6.9 percent in 1982 and 6.3 percent in 1983. These recent increases are due to rising revenues from the so-called "windfall profits" tax.

Below the Federal level, state governments rely much more on excise taxes than do local jurisdictions. In fiscal 1980, excise taxes contributed 17.9 percent of state general tax revenues (that is, excluding unemployment insurance). Exhibit 2 shows the breakdown of state tax collections for all 50 states and indicates what percentage of those revenues were raised through excise taxes in each state.

3. How has the reliance on this tax resource by states and localities increased or decreased over the last five years?

State-local reliance on excise taxes has been declining for many years. In 1975, these taxes made up 13.9 percent of all state-local tax revenues; in 1980 the percentage share was 12.2. Exhibit 3 illustrates the declining role of the major state excise taxes in state tax structures generally since the 1950s.

It should be noted, however, that the dollar amounts of these taxes are substantial. In fiscal 1980, state-local governments raised $28.6 billion in excise taxes, while the Federal government raised $24.6 billion from similar sources. If I may refer you back to Exhibit 1 again, I would point out that state and local governments collected more from motor fuels and cigarette taxes in 1980 than the Federal government did, but that state and local excise tax revenues from alcoholic beverages were less than half the Federal receipts from that source.

Data are not available to show how much states and localities raised from excises on telephone and telegraph services. These amounts are under the "other excise taxes" grouping. The Federal government collected $2.0 billion from these sources in 1975 and $1.1 billion in 1980. The reason for the decline was a gradual reduction in the tax rate during this period.

4. How many states have raised their excise tax rates over the last year? Which excise taxes have they raised?

In calendar year 1981, 25 states and the District of Columbia raised the excise tax rate on motor fuels. Six states raised cigarette tax rates. Ohio actually reduced its rate, but it subjected cigarettes to the state general sales tax, which resulted in a substantial net increase. Fifteen states raised all or some alcoholic beverage tax rates. Exhibits 4, 5, and 6 show individual states which raised rates last year.

5. How much additional excise tax revenue was raised on a state-by-state basis?

Tax Foundation economists have made some rough estimates of revenue effects which will result from the rate changes in motor fuels and cigarette taxes. We estimate that the 25 states plus the District of Columbia will bring in more than $1.2 billion annually through increases in the motor fuels taxes--an overall change of about 29 percent in these taxes. Including jurisdictions which did not raise these taxes last year, that $1.2 billion increase averages out nationwide into a net motor fuels tax increase of approximately 12 percent.

The seven states that raised cigarette taxes will bring in about $116.2 million more in tobacco tax dollars, an increase of about 25 percent. Spread across all 50 states, that is an increase in these taxes averaging 3 percent.

Unfortunately, we do not have the detailed information which would be necessary to estimate the revenue effect of the rate increases in alcoholic beverage taxes shown in Exhibit 6.

Overall state tax legislation in 1981, up to September, is discussed in Exhibit 7, Tax Foundation's Tax Review for September 1981. There were additional increases after that issue went to press which pushed the annual increase at the state level due to statutory changes over the $4 billion level.

I would like to call to your attention an observation made by the Federation of Tax Administrators in the November 1981 issue of their newsletter, Tax Administrators News. I quote: "There were more motor fuel rate increases in 1981 than in any year since the 1920s. There were more cigarette tax increases than in any year since 1971, and more alcoholic beverage tax rate increases than in any year in the 1970s." End of quote.

6. What is the relative responsiveness of excise taxes to economic conditions compared to income taxes?

Many studies have been made of the responsiveness, or income elasticity, of various state taxes. Invariably these show that excise taxes are relatively unresponsive to changes in income and, I might add, to inflation. Generally, for a one percent increase in income, these taxes will tend to rise by less than one-half of one percent. I refer you to Exhibit 8 for details. This unresponsiveness is largely because of the method by which such taxes are levied. They are generally on a cents-per-unit basis instead of a percentage of sales or value basis. In this connection, it is of some interest to note that several states have recently moved to an ad valorem approach in levying their gasoline taxes. Currently, nine states apply a variable rate gasoline tax, with gallonage rates adjusted periodically to reflect changes in the sales price of gasoline.

Most Federal excise taxes are also levied on a flat rate-per-unit basis and are also relatively unresponsive to income change. The so-called "windfall profits" tax is an exception, since it is levied on a percentage of value basis and is based on a changing price structure.

By contrast, income taxes generally have a much higher income elasticity. They tend to rise by one and one-half percent for every one percent rise in income--that is, about three times as rapidly as excises. There are variations, of course, depending on how a state's tax is structured. Features such as flat across-the-board rates and "indexing" will pull down the elasticity of income taxes.

7. What additional revenue sources, in lieu of excise taxes, could be raised by the states?

This question is more difficult to answer because it involves elements of forecasting both economic conditions and political attitudes. The basic question is whether the states will choose to continue to offer the programs previously supported by Federal funds with sufficient determination to suffer the pain of paying for them out of their own tax resources.

Without claiming to be a prophet, I would say that the responses will vary among individual states, depending on voter preferences. I would guess that the states as a whole would not continue to fund the affected programs at levels as generous as those set by the Federal government. Either they will not be willing to raise taxes to bring in the necessary additional funds, or they will prefer to spend what funds they do have in other ways. I would note that, in response to the recent cutbacks in Federal aid, most states seem more inclined to reduce spending for the affected programs, rather than to raise taxes to continue to fund them at previous levels.

There are wide variations, not only in tax bases but in the extent of reliance on various "standard" state and local taxes among the states. Exhibit 9, for example, indicates that a number of states do not choose to levy one or another of the major taxes now used by most states. Also, the rates of the taxes that are used vary widely from one state to another. Exhibit 10 reflects the variation among states in taxes in relation to state personal incomes, one measure we use (although there are others) of calculating taxing capacity[1].

On the basis of what I have just said, nearly every state below the highest ranking states in tax burdens has taxing "room." But there is no assurance that the underutilized tax resources would coincide geographically with the "needs" or "wants" of citizens in a given state. Those states with the highest existing taxes tend to be those which already have the largest appetites for public spending. They would also probably be more inclined to raise taxes than would states with lower existing rates. One example comes immediately to mind. In New York City, which already has an 8.25 percent general sales tax, the highest in the nation, and which is located in a state ranked second only to Alaska in state-local tax burden, the sales tax would rise further to 9.25 percent under a proposal recently put forth by the governor of the state. I would suggest to the Committee that, sooner or later, New York City is going to run out of elasticity.

---

[1] Other measures have been devised in studies of tax incidence (versus collections) taking into account the "exporting" and "importing" of taxes; see, for example, Donald Phares, Who Pays State and Local Taxes? Oelgeschlager, Gunn and Hain, Cambridge, Massachusetts, 1980. Still another measure lies in the tax wealth and tax effort index numbers of the Advisory Commission on Intergovernmental Relations, calculated by using its Representative Tax System to estimate the amount of revenue that each state would collect if it applied average state-local tax rates to its tax base. See forthcoming ACIR report: The Representative Tax System: An Alternative Way of Measuring Fiscal Capacity.

The states have repeatedly proved themselves to be highly resourceful in finding ways to raise new revenues when they want or need to do so. Even the adverse economic circumstances of last year did not dampen this resourcefulness. However, this ingenuity at raising new revenues does not become operative until a consensus has been reached that the money is needed for the continuation or enrichment of programs which the citizens of the state consider important. This is what makes "taxing capacity" such an elusive concept.

If the states want the programs which the Federal government has devised and funded over the last twenty years or so, and if they want these programs at the same level as Washington has been directing over the years, they will find a way to pay for them. The very freedom to make that choice is, as I understand it, at the heart of President Reagan's New Federalism. That debate is as old as our country. As it moves to a new stage, I can only wish you and the Administration the wisdom and the courage to decide what is in the best interest of the nation.

Exhibit 1

EXCISE TAXES IN THE STRUCTURE OF FEDERAL AND STATE-LOCAL TAXES

Fiscal Years 1975 and 1980

Level of government and tax category	Amount (millions)		Percent of total taxes by level of government	
	1975	1980	1975	1980
ALL GOVERNMENTS				
All taxes, total....................	$416,362	$727,984	100.0	100.0
Excise taxes, total[a].............	37,514	53,197	9.0	7.3
Selected excise taxes, total...	25,905	29,356	6.2	4.0
Motor fuels..................	12,799	14,709	3.1	2.0
Alcoholic beverages..........	7,396	8,327	1.8	1.1
Cigarettes and tobacco.......	5,710	6,320	1.4	0.9
Public utilities...............	5,935	8,755	1.4	1.2
Other excise taxes.............	5,675	15,087	1.4	2.1
FEDERAL GOVERNMENT				
All taxes, total....................	267,321	492,846	100.0	100.0
Excise taxes, total[a].............	16,801	24,598	6.3	5.0
Selected excise taxes, total...	12,121	13,018	4.5	2.6
Motor fuels..................	4,475	4,827	1.7	1.0
Alcoholic beverages..........	5,331	5,685	2.0	1.1
Cigarettes and tobacco.......	2,315	2,446	0.9	0.5
Public utilities...............	2,875	2,867	1.1	0.6
Other excise taxes.............	1,805	8,713[b]	0.7	1.8
STATE-LOCAL GOVERNMENTS				
All taxes, total....................	149,041	235,138	100.0	100.0
Excise taxes, total[a].............	20,713	28,599	13.9	12.2
Selected excise taxes, total...	13,784	16,338	9.2	6.9
Motor fuels..................	8,324	9,822	5.6	4.2
Alcoholic beverages..........	2,065	2,642	1.4	1.1
Cigarettes and tobacco.......	3,395	3,874	2.3	1.6
Public utilities...............	2,060	5,888	2.1	2.5
Other excise taxes.............	3,870	6,374	2.6	2.7

a. Selective sales and gross receipts taxes.
b. Includes windfall profits tax of $5,595 million in 1980.

Source: U.S. Department of Commerce, Bureau of the Census, Governmental Finances (Annual); Federal budget documents; and Tax Foundation computations.

Exhibit 2

SECTION V

187. Percentage Distribution of State Tax Collections by Source and State

EXCLUDING UNEMPLOYMENT TAX COLLECTIONS

Fiscal Year 1980

State	Total	General sales, use, or gross receipts	Selective sales and gross receipts	Licenses	Income	Property	Other taxes
Total	100.0	31.5	17.9	6.3	36.8	2.1	5.4
Alabama	100.0	31.1	30.7	6.3	27.2	2.4	2.3
Alaska	100.0	–	3.8	2.7	46.3	11.8	35.4
Arizona	100.0	48.4	14.4	5.2	24.1	7.2	.7
Arkansas	100.0	32.0	21.8	9.1	34.5	.3	2.3
California	100.0	34.6	9.8	3.2	46.3	3.5	2.6
Colorado	100.0	36.0	14.8	6.3	38.4	.2	4.3
Connecticut	100.0	43.6	28.4	6.0	18.9	(*)	3.1
Delaware	100.0	–	14.4	28.0	53.6	–	4.0
Florida	100.0	46.9	26.9	7.9	7.7	1.8	8.8
Georgia	100.0	34.2	21.1	3.1	40.7	.4	.5
Hawaii	100.0	49.9	11.6	1.6	36.2	–	.7
Idaho	100.0	28.0	17.6	11.9	41.1	(*)	1.4
Illinois	100.0	33.6	18.4	6.5	38.2	1.5	1.8
Indiana	100.0	49.4	15.9	4.7	27.3	1.1	1.6
Iowa	100.0	28.7	15.8	10.1	42.4	–	3.0
Kansas	100.0	33.0	17.0	8.1	38.2	1.5	2.2
Kentucky	100.0	28.3	18.6	4.4	31.0	8.2	9.5
Louisiana	100.0	30.8	18.8	6.8	20.7	(*)	22.9
Maine	100.0	34.6	21.6	9.1	30.3	2.5	1.9
Maryland	100.0	25.8	19.4	4.1	45.7	3.0	2.0
Massachusetts	100.0	19.0	15.4	2.4	60.7	(*)	2.5
Michigan	100.0	28.7	14.3	5.7	47.5	2.2	1.6
Minnesota	100.0	20.3	17.7	6.1	51.3	.1	4.5
Mississippi	100.0	53.3	18.2	6.4	17.1	.4	4.6
Missouri	100.0	37.8	16.9	8.5	35.3	.2	1.3
Montana	100.0	–	21.8	8.7	41.5	4.2	23.8
Nebraska	100.0	33.9	20.8	8.2	35.9	.3	.9
Nevada	100.0	38.4	43.7	13.5	–	4.4	(*)
New Hampshire	100.0	–	49.9	15.2	27.4	3.1	4.4
New Jersey	100.0	28.8	18.3	11.4	36.6	1.8	3.1
New Mexico	100.0	43.5	14.5	6.0	10.1	2.6	23.3
New York	100.0	22.4	13.9	3.9	55.2	(*)	4.6
North Carolina	100.0	21.6	22.4	7.5	45.8	1.4	1.3
North Dakota	100.0	33.3	18.2	11.1	24.1	.6	12.7
Ohio	100.0	30.3	25.4	7.7	32.7	3.0	.9
Oklahoma	100.0	17.9	20.3	9.8	25.4	–	26.6
Oregon	100.0	–	11.8	10.9	71.8	(*)	5.5
Pennsylvania	100.0	27.6	21.0	10.3	35.0	2.5	3.6
Rhode Island	100.0	30.7	23.4	4.2	37.7	1.1	2.9
South Carolina	100.0	34.4	21.6	3.9	38.6	.4	1.1
South Dakota	100.0	54.4	31.7	9.1	1.2	–	3.6
Tennessee	100.0	52.1	23.0	9.6	12.1	–	3.2
Texas	100.0	37.5	27.1	11.0	–	.7	23.7
Utah	100.0	41.3	13.9	4.3	38.9	(*)	1.6
Vermont	100.0	15.3	32.7	10.3	39.7	.1	1.9
Virginia	100.0	21.7	22.5	5.4	47.3	.9	2.2
Washington	100.0	55.7	18.9	5.4	–	16.2	3.8
West Virginia	100.0	49.1	20.3	5.9	23.4	(*)	1.3
Wisconsin	100.0	25.4	13.4	4.5	51.7	2.8	2.2
Wyoming	100.0	42.0	13.3	10.7	–	5.9	28.1

* Less than .05%.
Source: Computed by Tax Foundation from data in Table 186.

Source: Facts and Figures on Government Finance, Tax Foundation, 1981.

Exhibit 3

184. Percentage Distribution of State Tax Collections by Source

Selected Fiscal Years 1902-1938 and Fiscal Years 1940-1980

Year	Total tax collections	General sales, use, or gross receipts	Motor vehicle fuel sales	Tobacco products sales	Alcoholic beverage sales and licenses	Motor vehicle and operators licenses	Income			Property	Death and gift	Severance	Other
							Total	Individual	Corporation				
1902	100.0	–	–	–	(a)	–	–	–	–	52.6	(a)	–	47.4
1913	100.0	–	–	–	.7[b]	1.7	–	–	–	46.5	(a)	–	51.2
1922	100.0	–	1.4	–	–	16.0	10.7	4.5	6.1	36.7	7.0	–	28.2
1927	100.0	–	16.1	–	–	18.7	10.1	4.4	5.7	23.0	6.6	–	25.5
1932	100.0	.4	27.9	1.0	.1	17.7	8.1	3.9	4.2	17.4	7.8	1.0	18.7
1934	100.0	8.7	28.5	1.3	4.1	15.4	6.5	4.0	2.5	13.8	4.7	1.1	15.9
1936	100.0	13.9	26.2	1.7	6.3	13.8	10.2	5.8	4.3	8.7	4.5	1.3	13.5
1938	100.0	14.3	24.8	1.8	7.2	11.5	12.2	7.0	5.3	7.8	4.5	1.9	14.0
1940	100.0	15.1	25.3	2.9	7.7	11.7	10.9	6.2	4.7	7.8	3.4	1.6	13.6
1941	100.0	15.9	25.3	2.9	7.5	12.0	11.7	6.2	5.5	7.4	3.3	1.5	12.3
1942	100.0	16.2	24.1	3.1	8.0	11.0	13.3	6.4	6.9	6.8	2.8	1.6	12.9
1943	100.0	16.9	19.6	3.6	8.5	10.4	16.0	7.4	8.6	6.5	2.8	1.9	13.8
1944	100.0	17.7	16.8	3.9	8.0	9.7	18.7	7.8	11.0	6.0	2.7	1.7	14.9
1945	100.0	17.8	16.0	3.3	8.5	9.5	18.6	8.2	10.4	6.3	3.1	1.9	14.8
1946	100.0	18.2	17.9	4.0	9.5	8.9	16.8	7.9	9.0	5.0	2.9	1.8	14.9
1947	100.0	20.6	19.4	4.3	8.4	9.0	15.2	7.3	7.9	4.6	2.9	1.6	14.0
1948	100.0	21.9	18.7	5.0	7.4	8.8	16.1	7.4	8.7	4.1	2.7	1.9	13.4
1949	100.0	21.8	18.5	5.3	6.8	9.0	16.7	8.0	8.7	3.7	2.4	2.7	13.1
1950	100.0	21.1	19.5	5.2	6.3	9.5	16.5	9.1	7.4	3.9	2.1	2.7	13.3
1951	100.0	22.4	19.1	4.8	6.1	9.4	16.7	9.0	7.7	3.9	2.2	2.5	12.9
1952	100.0	22.6	19.0	4.6	5.3	9.4	17.8	9.3	8.5	3.8	2.1	2.8	12.8
1953	100.0	23.1	19.1	4.4	5.2	9.6	16.9	9.2	7.7	3.5	2.1	2.7	13.5
1954	100.0	22.9	20.0	4.2	4.9	9.9	16.0	9.1	7.0	3.5	2.2	2.8	13.5
1955	100.0	22.7	20.3	4.0	4.7	10.2	15.8	9.4	6.4	3.6	2.1	2.6	13.9
1956	100.0	22.7	20.1	3.8	4.7	9.7	16.9	10.3	6.7	3.5	2.3	2.7	13.6
1957	100.0	23.2	19.5	3.8	4.5	9.4	17.5	10.8	6.8	3.3	2.3	2.7	13.8
1958	100.0	23.5	19.6	4.1	4.3	9.5	17.2	10.3	6.8	3.6	2.4	2.5	13.4
1959	100.0	23.3	19.3	4.3	4.3	9.4	17.4	11.1	6.3	3.6	2.2	2.5	13.7
1960	100.0	23.8	18.5	5.1	4.1	8.7	18.8	12.2	6.5	3.4	2.3	2.3	12.9
1962	100.0	24.9	17.8	5.2	3.6	8.1	19.6	13.3	6.4	3.1	2.5	2.2	12.9
1964	100.0	25.1	16.7	4.9	4.1	7.9	21.1	14.1	7.0	3.0	2.7	2.0	12.5
1966	100.0	26.8	15.7	5.2	3.8	7.6	21.5	14.6	6.9	2.8	2.8	1.9	11.8
1968	100.0	28.7	14.2	5.2	3.5	6.8	24.0	17.1	6.9	2.5	2.4	1.7	10.9
1970	100.0	29.6	13.1	4.8	3.2	5.7	26.9	19.1	7.8	2.3	2.1	1.4	10.9
1971	100.0	30.0	12.9	4.9	3.2	5.7	26.3	19.7	6.6	2.2	2.1	1.4	11.2
1972	100.0	29.4	12.1	4.7	3.0	5.6	29.1	21.7	7.4	2.1	2.2	1.3	10.6
1973	100.0	29.1	11.8	4.6	2.9	5.3	30.9	22.9	8.0	1.9	2.1	1.2	10.2
1974	100.0	30.5	11.1	4.4	2.8	5.1	31.1	23.0	8.1	1.8	1.9	1.7	9.8
1975	100.0	30.9	10.3	4.1	2.6	4.9	31.8	23.5	8.3	1.8	1.8	2.2	9.6
1976	100.0	30.6	9.7	3.9	2.5	4.9	32.2	24.0	8.2	2.4	1.7	2.3	9.9
1977	100.0	30.6	9.0	3.5	2.3	4.5	34.3	25.2	9.1	2.2	1.8	2.1	9.7
1978	100.0	31.1	8.4	3.2	2.2	4.3	35.2	25.7	9.5	2.1	1.6	2.2	9.7
1979	100.0	31.6	8.0	2.9	2.1	4.1	35.9	26.2	9.7	2.0	1.6	2.3	9.6
1980	100.0	31.5	7.1	2.7	1.9	3.9	36.8	27.1	9.7	2.1	1.5	3.0	9.3

[a] Unallocable, included in "Other."
[b] License taxes included in "Other."
Source: Computed by Tax Foundation from data in Table 185.

Source: Facts and Figures on Government Finance, Tax Foundation, 1981.

Exhibit 4

1981 STATE TAX INCREASES

Motor Fuels Excises

State	Rate change (cents per gallon)	Percent increase in rate	1980 yield[a] (thousands)	Estimated annual revenue effect of 1981 increase[b] (thousands)
Arizona[c]................	8 - 9.6	20.00	$ 118,158	$ 23,632
California..............	7 - 9	28.57	854,185	244,041
Colorado................	7 - 9	28.57	113,442	32,410
Delaware................	9 - 11	22.22	29,319	6,515
Idaho...................	9.5 - 11.5	21.05	52,793	11,113
Indiana[d]................	8.5 - 10.5	23.53	256,149	60,272
Iowa....................	10 - 13	30.00	167,463	50,238
Kentucky[d]...............	9 - 10.4	15.56	187,446	29,167
Massachusetts[d]..........	9.8 - 11.4	16.33	212,035	34,625
Minnesota...............	11 - 13	18.18	204,955	37,260
Nebraska[d]...............	13.7 - 13.9	1.46	104,331	1,523
Nevada..................	6 - 12	100.00	34,625	34,625
New Hampshire...........	11 - 14	27.27	48,046	13,102
New Mexico[d].............	8 - 9	12.50	69,099	8,637
North Carolina..........	9 - 12	33.33	295,143	98,371
Ohio[c,e].................	7 - 12[e]	71.43[e]	397,133	233,672[e]
Oregon..................	7 - 8	14.29	92,880	13,273
South Carolina..........	11 - 13	18.18	173,412	31,526
South Dakota............	12 - 13	8.33	41,809	3,483
Tennessee...............	7 - 9	28.57	226,785	64,792
Utah....................	9 - 11	22.22	74,074	16,459
Vermont.................	9 - 11	22.22	21,745	4,832
Washington[d].............	12 - 13.5	12.50	254,637	31,830
Wisconsin...............	9 - 13	44.44	194,684	86,518
District of Columbia[c]...	11 - 13	18.18	18,400	3,345
Total (above states)...	--	--	4,242,748	1,225,261

a. On all motor fuels.

b. Assumes that yield on all motor fuels taxes would rise proportionately to the increase in the general motor fuels levy and that consumption remains stable at the 1980 level.

c. Adjusted variable rate, 1981.

d. Adjusted variable rate prior to 1981.

e. Scheduled to rise in steps, to 12¢ by March 1, 1983; the rate increase is estimated to produce $300 million over the 1982-83 biennium. Estimate shown represents one-year effect, from 1980 base, when increase is fully implemented.

Source: Compiled by Tax Foundation from reports by Commerce Clearing House, state tax research organizations, and Bureau of the Census, U.S. Department of Commerce.

Exhibit 5

1981 STATE TAX INCREASES

Cigarette Excises

State	Rate change (cents per pack)	Percent increase in rate	1980 yield[a] (thousands)	Estimated annual revenue effect of 1981 increase[b] (thousands)
Iowa....................	13 - 18	38.46	$ 46,551	$ 17,903
Nebraska................	13 - 14	7.69	22,490	1,729
Ohio....................	15 - 14	--	207,947	35,000[c]
Oregon..................	9 - 16	77.78	29,816	23,191
South Dakota............	14 - 15	7.14	10,418	744
Washington..............	16 - 20	25.00	63,603	15,901
Wisconsin...............	16 - 20	25.00	86,951	21,738
Total (above states)....	--	--	467,776	116,206

a. On all tobacco products.

b. Assumes that yield on all tobacco products would rise proportionately to the increase in cigarette tax rates and that consumption remains stable at the 1980 level.

c. Rate reduction, plus application of 5% state general sales tax to cigarettes, previously exempt; estimated net increase for 1982-83 biennium of $69.9 million.

Source: Compiled by Tax Foundation from reports by Commerce Clearing House, state tax research organizations, and Bureau of the Census, U.S. Department of Commerce.

Exhibit 6

1981 STATE TAX RATE INCREASES

Alcoholic Beverages Excises

State	Type of increase
Indiana..............	Beer, wine, and distilled spirits
Maine................	Beer, wine, and distilled spirits
Nebraska.............	Beer, wine, and distilled spirits
New Mexico...........	Beer, wine, and distilled spirits
South Dakota.........	Beer, wine, and distilled spirits
Vermont..............	Beer, wine, and distilled spirits
West Virginia........	Beer, wine, and distilled spirits
Wisconsin............	Beer, wine, and distilled spirits
Ohio.................	Impose additional tax on wine
Utah.................	Beer
Washington...........	Beer
Nevada...............	Distilled spirits
New Hampshire........	Gallonage tax on manufacturers and wholesalers of beverages containing not more than 6% alcohol
Tennessee............	Beverages having an alcoholic content of not more than 5%
Mississippi..........	Extended 3% markup on alcoholic beverages through June 30, 1985, and imposed a 1% surcharge on the gross proceeds of sales of alcoholic beverages

Source: Compiled by Tax Foundation from reports of Commerce Clearing House and Federation of Tax Administrators.

Exhibit 7

Tax Foundation's
Tax Review

Toward better government
Founded 1937

SEPTEMBER 1981
Vol. XLII, No. 8

State Tax Action in 1981

A Tax Foundation Staff Report

The over-all pattern that emerged from the 1981 legislative sessions in 49 states is one of substantial increases in state tax burdens. Tax action in 30 states will raise revenues by a net $2.5 billion a year, the highest annual statutory increase in ten years.

The 1981 hike compares with an increase of $420 million in 1980, and substantial reductions in the two preceding years. The increase in 1971, when 30 states raised taxes by over $5 billion annually, remains the largest on record.

Higher general sales taxes will account for a significant amount ($860 million) of this year's increase. Sales tax rates were raised on a permanent basis in one state—West Virginia, and temporarily in three states—Ohio, Minnesota, and Nevada. (New Mexico reduced its sales tax rate slightly.)

Reacting to the continuing squeeze on highway funds brought on by rising costs and declining gasoline usage, 24 states and the District of Columbia approved increases in motor fuel tax rates, for additional collections in the neighborhood of $750 million a year.

Major action on income taxes was relatively light. New Mexico lowered its personal income tax rates, and Montana repealed a 10% surtax on the personal income tax. Connecticut enacted a new 5% tax on unincorporated business income, and New Hampshire approved a 13.5% surtax on its business profits tax. Pennsylvania extended higher individual and corporate income tax rates that had been scheduled to terminate.

Other significant tax action included new or higher severance taxes in at least twelve states, and hikes in cigarette taxes in six states and in alcoholic beverage taxes in eight states.

The largest single tax package to be enacted this year was a five-tax program approved by the New York legislature to finance mass transit operations. The tax is designed to raise $793 million annually in higher local sales taxes and additional statewide levies.

Selected State Reports

Alabama exempted from the sales tax prescription drugs, aircraft, and wood residue. (The state supreme court held, however, that eyeglass sales by optometrists would remain taxable.) Also approved were personal income tax credits for solar energy device purchases.

Alaska changed the corporate income tax rate from a flat 5.4% plus a 4% surtax to a graduated scale with rates which will range from 1% to 9.4%, depending upon the size of income. The legislature repealed the existing special tax on oil and gas corporations, but raised the oil production tax (from 12.25% to 15% of gross value).

Arizona raised the gasoline tax rate from 8¢ to 9.6¢ for 1982; beginning in 1983 the rate will be set at 8% of average retail selling price. Other legislation included income tax relief for senior citizen health care, sales tax exemption of university textbooks and expansion of an existing exemption for freight charges and construction contractors; repeal of the public utilities tax on express

This Issue in Brief

State legislatures in 30 states this year enacted tax measures raising revenues by a net $2.5 billion a year, the highest annual statutory increase in ten years, according to a Tax Foundation analysis.

Copyright 1981 by Tax Foundation, Incorporated, *1875 Connecticut Avenue, N.W., Washington, D.C. 20009 (202) 328-4500*

companies; and imposition of a new occupancy tax and a new levy on tobacco distributors.

California's corporate income tax rate for 1982 will remain at 9.6%. (A 1979 law set this rate, stipulating that it would be cut if receipts from the new bank and corporation tax exceeded a stated level. This is the second year that collections failed to reach the level necessary to trigger a rate reduction.)

Colorado hiked the gasoline tax from 7¢ to 9¢; reduced the corporate income tax rate in increasing annual amounts through 1984 (after which the reduction will be a fixed amount); trimmed allowable personal income and corporate investment tax credits; and set the 1981 inflation factor used to adjust personal income taxes at 108% (in 1980 it was 109%).

Connecticut approved a new 5% tax on net income of unincorporated businesses with annual gross income of more than $50,000. There is a minimum tax of $250. Other measures raised the gasoline tax from 7¢ to 9¢; increased toll charges on highways and bridges; raised the gross receipts tax on telephone and cable TV companies; changed the way corporations are taxed, to increase collections; set a higher minimum corporation tax; and allowed tax relief for businesses in enterprise zones.

The U.S. Supreme Court refused to review the lower court decision that the anti-passthrough provisions of the state's gross receipts tax on oil companies was unconstitutional. The tax remains in effect, without the anti-passthrough clause.

Connecticut municipalities are now permitted to designate enterprise zones and provide tax relief for businesses located therein.

Delaware amended its constitution to provide that no tax or license fee increase can be enacted without approval of three-fifths of all members of both houses. The restriction does not apply to increases needed to make up for insufficient revenues nor to any tax or fee authorized but not yet in effect. The former flat-rate tax on financial institutions was changed to a graduated basis, ranging from 8.7% to 2.7%. In addition, the motor fuel tax was raised from 9¢ to 11¢.

The **District of Columbia** increased the motor fuel tax rate from 11¢ to 13¢ and adopted the provisions of the Multistate Tax Compact.

Florida imposed separate severance taxes on phosphate rock and heavy mineral severance, and exempted commercial inventories from the property tax.

Hawaii legislation provided that if the Capital Cost Recovery Bill of 1981 (or similar measure) were enacted by Congress, the provisions would apply to Hawaii. The state also exempted sightseeing water carriers from the public utility tax, and revised the income tax credit for solar energy devices.

Idaho raised the gasoline tax from 9.5¢ to 11.5¢; imposed a new 2% tax on all gas (in addition to the 5 mills per barrel oil and gas production tax); and enacted a generation-skipping estate transfer tax, as well as a new levy on the rental of hotel, motel, and campground accommodations.

The **Illinois** supreme court held that computer software is not tangible property and thus not subject to the state sales tax.

Indiana waived its variable-rate motor fuel tax law for the last seven months of 1981, and increased the rate from 8.5¢ to 10.5¢ (beginning in 1982 the rate will again be set administratively, twice a year, in accordance with the price of fuel). Other actions included raising alcoholic beverage tax rates; expanding the sales tax exemption for drugs; enacting such exemptions for certain agricultural and manufacturing equipment; adopting income tax credits for the elderly and for taxpayers investing in development corporations; and increasing exemptions under the inheritance tax.

Iowa hiked the cigarette tax from 13¢ to 18¢ through June 30, 1983; thereafter the rate will revert to 13¢. Also increased were motor and special fuel taxes; the basic motor fuel tax rate was raised from 10¢ to 13¢ a gallon.

Kansas extended the sales tax to computer software.

By administrative action, **Kentucky** raised the gasoline tax from 9¢ to 9.5¢.

Louisiana granted exemptions from sales tax to law enforcement and hospital districts, public housing authorities, and building materials used to reconstruct industrial facilities damaged by natural causes; adopted a $6,000 personal income tax exclusion for pensions of persons 65 and over; and raised the maximum local sales tax levy from 1.5% to 2.5%. The U.S. Supreme Court held Louisiana's first-use tax on natural gas sales to be unconstitutional, and mandated a full refund of taxes already collected.

Maryland required partnerships to file income tax returns, extended or expanded various income tax deductions and credits, increased the sales tax on passenger car rentals, and imposed a premium tax on the "industrial insured." The U.S. Court of Appeals upheld a lower court's decision barring Maryland from imposing its state income tax on Congressmen residing in the state; the decision has now been appealed to the U.S. Supreme Court.

By administrative action, the **Massachusetts** motor fuel tax rate, adjusted to the price of the product, was raised from 9.8¢ to 11.6¢, and then reduced to 11.4¢. The state supreme court declared constitutional the controversial Proposition 2½, which limits the property taxing capacity of government units, causing an estimated annual revenue loss of $500 million to cities and towns.

At a special election on May 19, 1981, **Michigan's** voters defeated a proposed constitutional amendment

(Proposal A) which would have authorized increases in the state sales tax (from 4% to 5.5%) and provided relief from property and local income taxes.

Minnesota increased the motor fuel tax from 11¢ to 13¢; hiked the sales tax temporarily from 4% to 5% (through June 30, 1983); revised the indexing provisions for the personal income tax; and expanded homestead exemptions under the property tax.

Mississippi increased its severance tax on timber and extended (until July 1, 1985) the 3% markup on alcoholic beverages sold by the Alcoholic Beverage Control Division.

In **Missouri**, industrial development corporations are now exempt from the corporate franchise tax. The state supreme court upheld the constitutionality of the referendum for an amendment to the state constitution (approved by the electorate in November 1980) establishing both expenditure and tax limitations.

Montana repealed the 10% surtax on the personal income tax and enacted several deductions, exemptions, and credits. Among these were higher maximum standard deductions, exemption of certain retirement benefits from tax and of capital gains from certain small business investments; new tax credits for business inventory taxes and energy conservation expenditures; and a 50% expansion in the existing investment tax credit. Montana also raised its oil producers' severance tax, while permitting a deduction for Federal windfall profits tax payments. The U.S. Supreme Court ruled that Montana's coal severance tax, which may be levied at rates up to 30% of value, does not violate the commerce or supremacy clauses of the U.S. Constitution.

Nebraska increased the cigarette tax from 13¢ to 14¢, raised the severance tax on oil and gas from 2% to 3%, hiked liquor tax rates, exempted certain manufacturing equipment from the sales tax, and granted an income tax exemption for the elderly.

Nevada hiked the combined state and local sales tax rate from 3.5% to 5.75%, effective for the period from May 1, 1981 through June 30, 1983; raised the gasoline tax rate for both state and (optional) county levies; increased taxes on liquor containing more than 22% alcohol; and enacted an additional tax on gaming. The tax increases are part of an over-all plan to revise and lower local property taxes and to institute new budgetary and revenue reforms for localities. Effective May 5, 1981, Nevada withdrew from the Multistate Tax Compact.

New Hampshire increased the gasoline tax rate from 11¢ to 14¢; imposed a 13.5% surtax on the business profits tax, to run through June 30, 1983; raised the rates on oil transfer and meals and rooms taxes; and levied a privilege tax on wholesalers' and manufacturers' permits. Personal exemptions under the state's limited personal income tax (confined to interest and dividends) were raised from $600 to $1,200.

New Jersey increased property tax deductions against the state personal income tax for senior citizens and disabled persons, and granted sales tax exemptions for commercial fishing vessels.

New Mexico reduced the rates of two major taxes—personal income and general sales—and modified the rate structure of the corporate income tax. Former rates on personal income ranged from .8% on the first $1,000 of taxable income to 6.7% on income over $100,000. For calendar 1981 the range will be from .6% to 6.7%, and for 1982, from .5% to 6%. A tax credit is now allowed for child care expenses, and a deduction is given for post-secondary education contributions. The sales tax was lowered from 3.75% to 3.5%, while excise taxes on alcoholic beverages and the severance tax on uranium were raised. The rate of the corporate income tax was revised from a flat 5% to range from 4% on income not over $1 million to 6% on income over $2 million. State legislation now sets up residential classes of property for ad valorem tax purposes. The gasoline tax, keyed to the cost of motor fuel, was administratively adjusted upward, from 8¢ to 9¢.

New York enacted tax relief for both individuals and businesses, followed by a package of tax increases designed to finance local mass transit. For individuals, the state raised the standard personal income tax deduction, the personal exemption, and the household credit; extended circuit-breaker eligibility; adopted the Federal tax treatment (i.e., 60% exclusion) of capital gains for tax purposes; excluded from tax up to $20,000 in pension income; and provided special personal income tax treatment for new business investment. Other changes included an increase in the investment tax credit (from 4% to 5% through June 1982 and to 6% thereafter) and an income tax credit for tangible personal property used for research and development.

For financing mass transit operations, the legislature approved a five-tax package, designed to raise $793 million annually. The package includes .25% increases in the sales tax in certain counties, and additional income tax on oil companies at the rate of .75% of gross receipts from petroleum sales, and other tax increases.

North Carolina raised the gasoline tax from 9¢ to 12¢; granted a one-time exclusion of $100,000 from personal income tax for gains from the sale of a principal residence for taxpayers 55 or over; and imposed the corporate income tax on savings and loan associations.

North Dakota reduced corporate income tax rates. The new rates range from 2% on the first $3,000 of income to 7% on income over $50,000; previously the range was from 3% on the first $3,000 to 8.5% on income above $25,000.

An additional motor fuel tax was initiated in **Ohio**, without the governor's approval. The new levy, to be imposed over and above the existing 7¢ per gallon tax, is to be determined by a specified formula. Initially the rate of the tax has been set at 3.3%; it will be adjusted on March 1 of the next three years, within the maximum allowable levy of 5%. A temporary increase—from 4% to 5%—in the state sales tax was in effect for the first half of 1981.

Oregon hiked taxes on forest products and on wheat grown in the state, and raised taxes on cigarettes (from 9¢ to 16¢) and motor fuel (from 7¢ to 8¢). If approved by voters at the May 18, 1982 primary election, the motor fuel tax would be further raised in annual steps, to reach 11¢ on July 1, 1984.

Pennsylvania extended through 1983 the temporary 2.2% personal income tax rate (scheduled to drop to 2% in 1982) and the 10.5% corporate income tax rate (slated to revert to 9.5% on the same date). A new oil company franchise tax was enacted. Beginning January 1, 1981, any corporate income taxes deducted in computing Federal taxable income must be added back in determining Pennsylvania taxable income.

By administrative action, **Rhode Island** raised the state motor fuel tax from 10¢ to 12¢ for the period June 1, 1981 to December 30, 1981. The legislature keyed the personal income tax rate structure to changes in the Federal tax; imposed a generation-skipping transfer tax; and extended property tax coverage to tangible personal property of a public service corporation.

South Carolina granted an income tax credit on the first $2,500 of expenditures for energy conservation equipment; and raised its motor fuel tax rate from 11¢ to 13¢ a gallon.

South Dakota hiked the motor fuel tax rate from 12¢ to 13¢ through March 31, 1984; raised the excises on tobacco (from 14¢ to 15¢) and on alcoholic beverages; and imposed a new severance tax of 6% on precious metals. The temporary 1% increase in the sales tax expired on July 1, 1981, dropping the rate back to 4%. Effective July 1, 1982 cigarettes will no longer be exempt from the general sales tax.

Tennessee raised the gasoline tax rate from 7¢ to 9¢; extended for another year the 4.5% sales tax rate scheduled to drop to 3% on June 30, 1981; excluded business transfers from the business privilege and occupational tax; increased the privilege tax on soft drinks, beer, and other beverages; and provided a franchise tax exemption for pollution control equipment.

Texas extended exemptions under the state sales and franchise taxes (e.g., to the operations of nonprofit development corporations); replaced the state inheritance tax with a new levy; added a generation-skipping transfer tax; and authorized county hotel occupancy taxes.

Tax action in **Utah** included increasing the motor fuel tax from 9¢ to 11¢; raising the tax on beer; eliminating the "marriage penalty" under the personal income tax, while repealing the income tax credit for homeowners and renters; exempting motion picture films from the sales tax, and expanding an exemption for medical supplies; imposing limits on local utility taxes; and rolling back real estate tax appraisals to the 1978 level, while placing limitations on future increases.

Vermont increased the gasoline tax from 9¢ to 11¢; hiked alcoholic beverage levies; and exempted from the sales tax sales and rentals of motion picture films, shown to the public on payment of an amusement charge.

Tax action in **Virginia** included eliminating the increased bank franchise tax rate; granting income tax credits for neighborhood assistance programs; revising the income tax treatment of retirement plans; extending sales tax coverage to sales of watercraft; increasing severance taxes on pine forest products; repealing the added taxes on alcoholic beverages; and levying an additional tax on passenger car rentals.

Washington's motor fuel tax rate, based on the average retail price of the product, was increased from 12¢ to 13.5¢. The cigarette tax rate was raised from 16¢ to 20¢.

West Virginia raised its general sales tax rate from 3% to 5%; increased the wines and liquors excise; imposed an additional premium tax on insurers and brokers; exempted bingo games from state and local taxes; and granted a credit against the occupational gross income tax equal to 10% of the cost of eligible investments for industrial revitalization. West Virginia opted to join the Multistate Tax Compact.

Wisconsin enacted several tax increases. The corporate income tax rate was set at a flat 7.9% on all income; formerly the tax ranged from 2.3% on the first $1,000 of income to 7.9% on income over $6,000. Also increased were the motor fuel tax (from 9¢ to 13¢), the cigarette levy (from 16¢ to 20¢), and alcoholic beverage taxes.

Tax increases in **Wyoming** included a new 2% excise tax on oil and gas severance, and an increase in the corporation license tax based on corporate property. Tax reductions involved increasing sales tax refunds (to the elderly and disabled) and sales tax exemptions; and exemption of gasoline sales to public schools from the motor fuel tax.

Exhibit 8

Income Elasticity of Major State-Local Taxes[a]

Tax	Range in other studies[b]	As projected in this study
Individual income..........	1.5 - 1.8	1.7
Corporate income...........	1.1 - 1.3	1.2
Property...................	.7 - 1.1	.9
General sales..............	.9 - 1.05	1.1
Motor fuels................	.4 - .6	.6
Tobacco....................	.3 - .4	.5
Alcoholic beverages........	.4 - .6	.5
Other selective sales......	.9 - 1.1	.9
Motor vehicle licenses.....	.2 - .4	.5
All other..................	.6 - 1.2	.9

a. Percent change in tax yield per 1 percent change in gross national product.

b. These are elasticities derived in more than a dozen studies. See Federal-State Coordination of Personal Income Taxes, Advisory Commission on Intergovernmental Relations, Washington, October 1965, p. 42, for a list of authors.

Source: The Fiscal Outlook for State and Local Government to 1980, Tax Foundation, 1972, p. 88.

Exhibit 9

Major Taxes and Rates Used by States
As of January 1, 1982

State	Income Taxes: Corporation	Income Taxes: Individual	General sales and use tax	Gasoline tax (per gallon)	Cigarette tax (per pack of 20)	Property tax
Alabama	5% (F)	1.5 to 5% (F)	4%^{a}	11¢	16¢	X
Arizona	2.5 to 10.5 (F)	2 to 8	4^a	9.6	13	X
Arkansas	1 to 6	1 to 7	3^a	9.5	17.75	X
California	9.6	1 to 11	4.75^a	7	10	X
Colorado	5^b	2.5 to 8^c (F)	3^a	9	10	X
Connecticut	10^d	1 to 9^e	7.5	11	21	X
Georgia	6	1 to 6	3^a	7.5 + 3% of retail	12	X
Hawaii	5.85 to 6.435	2.25 to 11^f	4	12.5 to 15	40% wholesale	
Idaho	6.5^f	2 to 7.5	3	11.5	9.1	X
Illinois	4	2.5	4^a	7.5	12	X
Indiana	3^g	1.9	4	10.5	10.5	X
Iowa	6 to 10 (F)	.5 to 13 (F)	3	13	18	
Kansas	4.5^h	2 to 9 (F^i)	3^a	8	11	X
Kentucky	3 to 6	2 to 6 (F^i)	5	10.1	3	X
Louisiana	4 to 8 (F)	2 to 6 (F)	3^a	8	11	X
Maine	4.95 to 6.93	1 to 10	5	9	16	X
Maryland	7	2 to 5	5	9	13	X
Massachusetts	8.33^j	5^k	5	11.2	21	X
Michigan	2.35	4.6^f	4	11	11	X
Minnesota	12	1.6 to 16 (F)	5^a	13	18	X
Mississippi	3 to 4	3 to 4	5	9	11	X
Missouri	5 (F)	1.5 to 6 (F)	3.125^a	7	9	X
Nebraska	3.75 to 4.125	15% of Federal income tax	3^a	13.9	14	X
New Jersey	9^l	2 to 14^m	5	8	19	X
New Mexico	4 to 6^f	.5 to 6^f	3.5^a	9	12	X
New York	10^n	2 to 14	4^a	8	15	X
North Carolina	6	3 to 7	3^a	12	2	X
North Dakota	2 to 7^f (F)	1 to 7.5^o (F)	3	8	12	X
Ohio	4.6 to 8.7^p	.5 to 3.5	5^a	10.3	14	X
Oklahoma	4	.5 to 6 (F)	2^a	6.58	18	
Pennsylvania	10.5	2.2	6	11	18	X
Rhode Island	8^q	19.24% of Federal income tax	6	12	18	X
South Carolina	6	2 to 7 (F^i)	4	13	7	X
Tennessee	6	4 to 6^e	4.5^a	9	13	
Utah	4	2.25 to 7.75^f (F)	4^a	11	10	X
Vermont	5 to 7.5	23% of Federal income tax	3	11	12	X
Virginia	6	2 to 5.75	3^a	11	2.5	X
West Virginia	6	2.1 to 9.6	5	10.5	17	X
Wisconsin	7.9	3.4 to 10	4	13	20	X
Florida	5	These 7 states have no individual income tax	4	8	21	X
Nevada	These 5 states have no corporate income tax		5.75	9	10	X
South Dakota			4^a	13	15	
Texas			4^a	5	18.5	X
Washington			5.5^a	12	20	X
Wyoming			3^a	8	8	X
Alaska	1 to 9.4		These 5 states have no general sales tax	8	8	X
Delaware	8.7	1.4 to 13.5 (F^i)		11	14	
Montana	6.75^f	2 to 11^f (F)		9	12	X
New Hampshire	8^r	5^e		14	12	X
Oregon	7.5^f	4 to 10^f (F^i)		8	9	X

(X) Indicates state levies a property tax.
(F) Allows Federal income tax as a deduction.

[a] Local taxes are additional.
[b] Tax rates subject to maximum amounts scheduled for tax years 1981 and thereafter.
[c] A 2¢ surtax applies to gross income exceeding $15,000 from intangibles.
[d] If tax yield is greater, 3.1 mills per dollar of asset value ($250 to $100,000) or 3% of 50% of net income and certain compensation (if gross receipts exceed $50,000).
[e] In Connecticut, New Hampshire, and Tennessee, tax applies to income from intangibles only, at various rates according to type.
[f] Qualified taxpayers may elect to pay alternative taxes at varying rates.
[g] Tax is the greater of 3% of taxable income or the gross income tax. A supplemental net income tax is imposed at 3%.
[h] A 2¼% surtax is imposed on taxable income in excess of $25,000.
[i] Deductions limited.
[j] Additional 14% surtax is imposed.
[k] Tax of 10% on income derived from intangibles, and 5% on all other income, and an additional 7.5% surtax.
[l] Additional tax on net worth is part of the corporate franchise tax.
[m] Liability is for the larger of New Jersey personal income tax (2 to 2.5%) or New Jersey-New York commuter's tax (1 to 14%, with rate ½ greater for capital gains).
[n] Alternative methods of calculation are used if tax yield is greater.
[o] Optional tax of 7.5% of taxpayer's adjusted Federal income tax liability.
[p] Alternative method of calculation used if greater (part of franchise tax); rate applies to value of stock according to net income.
[q] Liability is 40¢ per $100 of net worth if higher.
[r] Surtax of 13.5% is imposed.

Source: Compiled by Tax Foundation from data reported by Commerce Clearing House.

Source: Monthly Tax Features, Tax Foundation, February 1982.

Exhibit 10

State-Local Taxes by State[a]
Per Capita and Per $1,000 of Personal Income
Fiscal Years 1970 and 1980

State	Per capita taxes				Taxes per $1,000 of personal income			
	Amount 1970	Amount 1980	Percent increase	Rank 1980	Amount 1970	Amount 1980	Percent change	Rank 1980
U.S. AVERAGE	$427	$ 987	131	—	$117	$116	− 1	—
Alabama	259	650	151	50	98	96	− 1	46
Alaska	417	4,189	904	1	100	368	267	1
Arizona	425	1,007	137	16	132	133	(b)	7
Arkansas	252	654	160	49	98	99	1	43
California	559	1,172	110	7	134	122	− 9	15
Colorado	419	990	136	19	122	113	− 7	24
Connecticut	485	1,070	121	13	107	105	− 1	35
Delaware	450	1,059	135	15	111	116	4	19
Florida	347	758	118	41	105	97	− 7	45
Georgia	312	770	147	39	100	108	7	31
Hawaii	572	1,278	123	5	144	148	2	4
Idaho	347	754	117	42	117	104	−11	38
Illinois	487	1,084	123	11	114	112	− 2	25
Indiana	357	744	108	44	98	88	−10	51
Iowa	436	967	122	24	125	111	−11	27
Kansas	395	926	135	26	110	100	− 9	42
Kentucky	299	740	147	45	105	104	− 1	37
Louisiana	331	841	154	32	116	116	(b)	20
Maine	380	858	126	29	126	125	− 1	11
Maryland	482	1,104	129	10	123	120	− 2	16
Massachusetts	497	1,243	150	6	124	139	12	5
Michigan	456	1,075	136	12	115	115	(b)	22
Minnesota	442	1,125	154	9	125	127	2	9
Mississippi	296	646	119	51	125	109	−13	30
Missouri	343	759	122	40	100	93	− 7	49
Montana	398	1,000	151	17	127	130	2	8
Nebraska	396	963	143	25	112	111	− 2	28
Nevada	517	972	88	23	124	105	−15	36
New Hampshire	333	740	122	46	99	92	− 7	50
New Jersey	447	1,137	154	8	106	117	11	18
New Mexico	359	879	145	28	127	122	− 4	14
New York	652	1,495	129	2	146	163	12	2
North Carolina	311	748	141	43	105	106	1	33
North Dakota	376	847	125	31	125	102	−18	40
Ohio	343	810	136	35	91	94	3	48
Oklahoma	306	827	170	34	100	102	3	41
Oregon	400	979	145	21	115	114	− 1	23
Pennsylvania	401	978	144	22	110	116	5	21
Rhode Island	408	992	143	18	110	119	8	17
South Carolina	274	708	158	47	101	107	5	32
South Dakota	398	789	98	38	133	106	−20	34
Tennessee	279	656	135	48	98	94	− 4	47
Texas	316	806	155	36	97	98	(b)	44
Utah	375	840	124	33	127	125	− 2	13
Vermont	471	900	91	27	147	127	−13	10
Virginia	340	856	151	30	102	102	(b)	39
Washington	443	989	123	20	115	109	− 6	29
West Virginia	301	796	164	37	111	112	1	26
Wisconsin	509	1,061	109	14	146	125	−15	12
Wyoming	434	1,399	223	4	134	148	10	3
District of Columbia	517	1,475	.185	3	104	136	31	6

[a] Excludes unemployment compensation taxes.

[b] Less then .5%.

Source: Bureau of the Census, U.S. Department of Commerce; and Tax Foundation computations.

Source: Monthly Tax Features, Tax Foundation, Nov.-Dec. 1981.